

Cub Foods - Franchise  
Minnetonka, Minnesota

Mark Witte, Groc. Mgr.  
Ken Markulis, Coord.

Tim assisted with installation of EMC, programmed it and gave initial training to store personnel. Discussed running "effectiveness tests" on the message center. Will follow up. System 2000 installation was set for Monday, August 17.

Kwik Trip  
LaCrosse, Wisconsin

Greg Olson  
Buyer

Introduction of Virginia Slims Ultra Lights should be no problem. B&H Lts. Box was not well received. Three month figures pulled on B&H Lts. Soft were not impressive. Tim stressed growth of box packings in Minnesota market and nationally. Will follow-up for acceptance. Tim plans to schedule an appointment for formal presentation of 3-Pack Banner.

Tom Thumb  
Hastings, Minnesota

John Helling  
Buyer/Merchandiser  
Derrel Denning  
Director of Marketing

Tim, accompanied by Paul Bernardo, NYO and Sam Thompson, Consultant, discussed the 3-Pack Banner program. Implementation to begin week of 8/24/87. Explored Plan B (they tentatively plan to keep exclusively with RJR) and offered to develop a special display for Tom Thumb. Key factor in our favor would be our offer to run promotions off of the B-display instead of a free standing temporary display. Paul to follow-up with proposals for both programs.

Gateway Foods - LaCrosse  
LaCrosse, Wisconsin

Steve Kamla  
Buyer

Tim reviewed 1987 PM/Gateway business YTD and sold in both Virginia Slims Ultra Lights and B&H Lts. Box.

Minter-Weisman  
Plymouth, Minnesota

Irv Sedransky, Buyer  
Jim Hreha, Whse. Mgr.

Tim sold-in both new items and code numbers were issued and forwarded to the field. Their business is up over 14% with new accounts responsible for gains. Will follow-up on Snyder Drug order procedures. Confirmed Country Club A-1 assembly set-up with Jim.

Target Stores  
Minneapolis, Minnesota

John Mullaney  
Assistant Buyer

Area Manager Cindy Thompson and SAM Ed Lenocho presented Virginia Slims Ultra Lts. and B&H Lts. Box. Target accepted all four packings and will include them on the authorized brand listing. Carton fixture acceptance remains promising. POG's for System 2000 will be presented pending approval of fixture.

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SuperAmerica  
Bloomington, Minnesota

Brian Humphrey  
Buyer

SAM Ed Lenoch accompanied Paul Bernardo and Sam Thompson on a fact finding mission regarding SuperAmerica's concerns relating to the cigarette category. It seems the Mpls. division is now willing to look at their carton department and try to enforce POG compliance from all stores.

Godfrey Co.  
Waukesha, Wisconsin

Gary Wilson  
Buyer

Ed accompanied Area Manager S. Richlin to sell-in Virginia Slims Ultra Lts and B&H Lts. Box. Proposal goes to committee before final approval can be given.

Sun Foods  
Waukesha, Wisconsin

Marion Sullivan

Ed and Area Manager S. Richlin contacted account to sell in the new packings. Product will be force shipped through Godfrey's to all four Sun Foods Stores.

Warehouse Markets  
Minneapolis, Minnesota

Dennis Griffin  
Merchandising Manager

SAM Tim Byrne accompanied SAM Ed Lenoch to present the Electronic Message Center, System 2000 and have 2nd quarter invoice signed. Dennis was not very impressed with the message center. Warehouse Markets have strict policies regarding placement of signage in their stores. Mild interest was shown in the System 2000. Will follow-up with an in-depth presentation for the System 2000, outlining customizing to meet the account's needs.

#### V. MERCHANDISING PROGRAMS

##### CARTON MERCHANDISING PROGRAMS

###### Plan A

Through August 1st, average rows improved slightly to 67.8 on Extended contracts. We gained 847 total Plan A rows over the previous month. Penetration and coverage were unchanged. We have 92% of potential stores selling over 300 c.p.w. signed to a contract.

The heavy workload on new products has limited Plan A gains over the last two months. We now have a full compliment of Area Managers and SAM's operational. This, coupled with System 2000, SPACE TREK and the new A Plans, gives us all the tools we need to make major row gains.

Sunshine Foods, Sioux Falls, South Dakota - Area Manager just re-signed all twelve stores. We gained 157 contractual rows, plus thirty non-paid rows, for a total gain of 187 rows, sixteen per store average.

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Plan A-1

Placement of Marlboro Sports Bag displays in progress. Many retailer complaints about display size, but expect we will place our full allocation. Excellent response to the incentive.

Plan AV

Placed an additional thirty-four AV and six AG fixtures during August.

PACKAGE MERCHANDISING PROGRAMSPlan B

M-3 and M-4 placements increased by thirty-two and twenty-two, respectively this period. Total B/M displays on location were up by twelve, bringing our penetration to 33.3% vs. all outlets. Add-ons now total 1,426. Fifty-three percent of displays are being paid as prime.

We currently have 549 more permanent counter displays on location and more than B&W, Lorillard and L&M combined.

BV's on location increased by 47 to 1,315. Over 71% of these are self-service. BG's now total 273.

Display should be redesigned to accommodate all our Value packings. Modular in nature so we can add to it with any new entries we may have in the future. Never received two-sided headers that were to be sent out two months ago.

Plan R

No significant changes.

Temporary Displays

Marlboro Lighter Display - We placed 3,609 displays in July and August. As always, this promotion was very well-received at retail.

Cambridge Full Flavor "2 for 1" - As any "2 for 1" this was widely accepted. The quantities allocated for this promotion also seemed to be too little. However, it was a successful promotion and a good way to gain distribution on a new brand.

B&H Inner City - Why did they ship the same amount of Regular as Menthol product to territories having 35-67% black accounts. All ethnic advertising shows Menthol and the demographics of these territories shows that Menthol is the flavor the black population prefers at about a ten to one ratio, yet we received a one to one ratio. We also need to dump in more than twenty units if we are going to have any impact on the inner city markets. It's like having a Marlboro floor display of five cartons at a store that sells 2,000 cartons per week.

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We are in the process of selecting specific chain accounts to present set/sell programs in an effort to secure authorizations to present these programs at store level. Hopefully, this will help to improve penetration.

Since we are now concentrating more emphasis on penetration, it might be beneficial to develop a SPACE report that provides a penetration analysis as opposed to number of units placed.

#### PHILIP MORRIS FIXTURES

##### Carton Fixtures

Target Stores have accepted System 2000. Will require about 900 four foot modules in three hundred stores. Target has agreed to use our fixtures exclusively for cartons for a minimum of three years. By that time they are projecting 550 to 600 stores.

We are communicating details to George Moreo/Greg Walsh and have a meeting scheduled with Target and a representative of Harbor Industries on September 8th to discuss conversion schedules and fixture specifications.

Total carton fixtures on location increased by forty this period to 279 stores. System 2000 departments now total twenty-five, with eleven more scheduled for installation.

##### Package Fixtures

Locations continue to increase, led by OHPM placements. Twenty percent of all outlets now have a PM fixture. OHPM's account for 70% of these locations. We now have 482 second generation fixtures on location in 256 stores.

We lost at least six maxi locations to R. J. Reynolds' low profile units, but we are beginning to turn this around with access to our own low profile unit. There will be an increased need for four foot maxi's to accommodate extra space needed to support the low profile. Six foot maxi's are still heavily in demand as an extension unit to support an "L" shape in gas convenience locations.

Three nine-sided spinners were placed in Super Valu Stores in Division Manager John Olson's territory. Very nice units!!!!

#### VI. SECTION ACTIVITIES

##### Retail Activity and Accomplishments

Retail coverage was good under the circumstances. Thirty-four territories were cycled (90%+). Of 454 accounts not contacted this period, 217 were in vacant territories. Three hundred fifty-eight of the calls not contacted were three and six count calls. Call Rate declined by .5 per day to 10.6.

Even with this reduced coverage, overall productivity in temporary displays, POS, consumer work and on-carton coupon usage held steady.

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### Management Activity and Accomplishments

Division Managers have excelled in their ability to plan the activities of their team and their own time. Support has been provided in field training by priority but, as always, includes a great deal of merchandising assistance. They did remarkably well in contacting and working with their Sales Representatives to ensure that Cambridge Full Flavor received the full benefit of the opportunities available. Additional emphasis continued to support temporary POS, permanent POS and consumer work.

Area Managers concentrated their full energies on new product introductions with support provided on merchandising programs and invoicing. Now that redeployment is complete, schedules have been planned and implemented for experienced Area Managers to introduce new Area Managers to major accounts. I will develop follow-up training with Supervisors in September for all new personnel.

### Point of Sale Material

#### Permanent

We placed 499 permanent pieces during July but penetration improved only .2% or twenty-one stores with at least one piece. We will continue to emphasize penetration.

#### Temporary

Usage improved to 8,872 pieces in July. This is our highest monthly total YTD.

All materials provided in appropriate quantities this period.

## VII. SALES SERVICES

### Systems

Redeployment of Area Managers was accomplished in record time with a minimum of effort. Thanks to whoever came up with the procedure of writing the new territory number next to account name on the current Management Account Summary.

Sales Reps need new binders for Call Book/ICR/Call Summary.

### Materials Distribution

Delinquent Materials Report - Division Managers did not receive PPP information for August until 7/31. They are to fill out this report two weeks before the start of the cycle. It makes it hard to know what we might not have received, if we don't know what we are supposed to get.

2043945055

### VIII. SALES DEVELOPMENT

Trade gifts and selling materials for Slims Ultra and B&H are well designed. Everything was received on time. Thanks.

We need a new merchandising materials catalog that has all the current items. We have low profile overheads but no sell sheets, EMC but no sell sheets, slide-by pack racks but no sell sheets. We have some good competitive items to work with, but either we don't know they are available or we can't show anyone what they look like.

The lack of Cambridge carton rack labels is becoming critical. Very difficult to maintain distribution on adequate inventory when we can't properly label the space.

### IX. MEDIA

Our outdoor exposure has improved dramatically and we are grateful for the extra support in Duluth, Green Bay and North Dakota. Can we get some help in South Dakota? At least Sioux Falls and Rapid City. RJR is killing us on billboards.

### X. ASSOCIATIONS & CONVENTIONS

Nothing to report.

### XI. MISCELLANEOUS

We have apparently changed carriers for our return goods from Ryder/PIE to Roadway Express. The local Roadway office called to inform me that a new contract had been signed. Some direct accounts have received notification, however, none of us have any information about a change. HELP!

A "headhunter", Arch Whitehead & Associates, has done another mailing to our employees. This one was apparently directed at female Managers and Sales Reps. The first, about one year ago, went to all Managers. It appears they have our entire roster. Copies of the letter were rapicomed to Steve Sabella on 8/27.

2043945056

REGION 5

2043945057

I. MARKETING CONDITIONSLouisiana Multiple Launch

The overlapping of activities is rapidly diminishing in the Louisiana test area. There is now clear delineation between programs working and our Sales Force has had more of an opportunity to deal with the programs separately. As the level of activity has diminished, our Sales Force is in a better position to better merchandise our product in the selling outlet, and retail audits indicate that our position is improving.

All part-time support has been terminated with the exception of New Orleans, where we have maintained three temporary employees to assist in the maintenance and management of our Value Centers in National Supermarkets. This support personnel will be eliminated the week of August 24.

Virginia Slims Ultra Lights Test

All direct accounts have received product and have sufficient inventories to meet retail demand. Our Sales Force is continuing to actively pursue the elimination of out-of-stocks and now that they have had the opportunity to properly merchandise the product in store, we are seeing a decline in this area.

**Imperial Trading Company**/New Orleans indicates a 1.1 market share of the test brand. **Time Saver Stores**/New Orleans indicates a .93 market share of the test brand. **National Supermarkets** and **The Real SuperStore**/New Orleans indicates a .89 market share of the test brand. **McLane/Southern** indicates a .8 market share of the test brand.

Sell-in activity has been completed successfully in areas where Virginia Slims Ultra Lights is unavailable, and the Senior Account and Headquarter Accounts groups have prepared chain contacts within the area for the upcoming Virginia Slims Ultra Lights promotions.

Cambridge Full Flavor

Several key operators have to date refused Cambridge Full Flavor. Of late, these accounts have been slow to participate in Philip Morris introductory programs. They are Schwegmann's, Time Saver, Jr. Food Marts of America and McCarty-Holman. Management contacts for these accounts have been accelerated in hopes of taking current Cambridge information into key account personnel to gain acceptance of the product.

Currently, our evaluation of the product indicates a .7 market at **Imperial Trading Company**, with the brand fully couponed at the warehouse level.

2043945058



Cambridge Full Flavor (cont'd)

In the **National Supermarkets/Real SuperStore** operation, Cambridge current market share is 1.35, slightly elevated due to heavy force shipments to satisfy Value Center needs at the beginning of August 1987.

As with Cambridge Lights, movement of the Full Flavor product is in direct relation to the level of in-store visibility. The 30-carton displays certainly helped, but were not sufficient in number to effectively promote the brand in the retail outlet. The small amount of \$2.00 coupons accelerated movement of the product for a short period of time but, due to the small number, did not allow us a proper vehicle with which to promote the brand. At the time of introduction, our competition - DORAL - was heavily using \$2.00 coupons, in many cases to retaliate against our introduction and, because we were not equal in numbers, visibility was lost.

Benson & Hedges Lights Box

All distributors and wholesale accounts have accepted B&H Lights Box packings. We should note that the normal low level of enthusiasm was experienced throughout most of Mississippi, as box packings have characteristically done poorly in this area (with the exception of Virginia Slims).

Response from our key chain accounts should begin being received the week of August 31.

PHILIP MORRIS/INDUSTRY

The heavy coupon support and high concentration of 2-for-1 promotions by our competition in the Louisiana/Mississippi area is further indication that units remain significantly off for all manufacturers.

R. J. Reynolds is driving their business through \$2.00 coupons on their major full margin products and continue to use a variety of different priced coupons on their DORAL products. Brown & Williamson continues to support their brands essentially in the same manner. Lorillard is giving the same considerations to their brands and accelerating promotions in the area of Newport.

A healthy portion of our business of late remains in the Value segment. Philip Morris inventories in that area are somewhat improved over First and Second Quarter levels. Our recent introductions and test brands have kept our units up, but still below this time one year ago. In many cases, Philip Morris is facing heavy couponing and 2-for-1's by the competition. I think it very apparent in a price-sensitive area such as Louisiana and Mississippi that this type of promotional activity by the competition is taking product sales away from our brands.

PHILIP MORRIS/INDUSTRY (cont'd)

Generally, where we stand equal in accounts, either with coupons or promotions, our brands do very well. Wholesale inventories are sufficient to meet our current retail needs as indicated by account-to-account audits.

VALUE SEGMENT

We now have added sufficient part-time support to effectively coupon Cambridge product in the majority of the Section's wholesale, chain and distributor accounts. Couponing in this manner appears to be extremely effective based on the .7 share of market reported by **Imperial Trading Company**, and the doubling of Cambridge business in **Associated Grocers** in the last four weeks.

We are aware that additional quantities of coupons will not be available until mid-September. We are taking steps to direct all available coupons to our part-time support to insure that they are used at the wholesale level, as we feel this is the best use of time and manpower.

We are continuing to develop our Value business in major Section chain accounts. **McCarty-Holman, Schwegmann's, Lewis Grocery Company, A&P and Winn Dixie** have all received repeated Value presentations over the past four weeks. The matter remains under advisement and we have not been notified of any decision in this area to date.

In regard to the destruction of Cambridge coupons, we are making every effort to insure full use of available coupon inventories to avoid the need for destruction wherever possible. We have also been advised that our redemption center will honor coupons even past the expiration date. If this is the case, then our coupons should be without expiration dates.

In many cases, chains within the Section area would prefer that their clerks and checkers not redeem coupons that have expired. This policy generally applies to **National, Schwegmann's, Winn Dixie and A&P** and checkers could be severely reprimanded for not adhering to policy in this area. If we are to honor coupons past expiration, then it would be my suggestion to simply remove expiration dates from the coupons altogether.

II. MAJOR COMPETITIVE DEVELOPMENTSAMERICAN

Recent sales force activity has been devoted to Pall Mall Red Filter Kings and related introductory offers. American's circular regarding this introduction is attached.

Lucky continues to receive heavy couponing in the Louisiana and Mississippi areas.

AMERICAN (cont'd)

Malibu is being received at wholesale for distribution to retail with \$3.00 coupons attached. Single packs offer a 30¢-off per package coupon redeemable at next purchase, as well as "buy 1 - get 1 free" displays.

American reps are currently offering \$3.00 for each Value row on separate Value fixtures.

BROWN & WILLIAMSON

A variety of offers are being extended throughout the Section on behalf of Capri, including 2-for-1's, coupons and lighters.

Most recent movement figures at **Imperial Trading Company** indicate Capri carries a current .57 share (Regular .28, Menthol .29). Currently, Capri accounts for 20 cases of Imperial's 3,500 cases of weekly sales.

Further investigation into the Capri launch indicates that B&W clearly identified two problem New Orleans accounts and compensated monetarily in those operations to obtain distribution of Capri. Although the payments are undocumented, we have it through excellent sources that in **Schwegmann's** the introductory offers carried an additional payment of \$1.00 per carton. In the **Time Saver** operation, they did accept the product readily, and the introduction included a four-carton display carrying a payment of \$20 per store. We feel certain that this higher level of compensation accelerated the acceptance of the brand in these two accounts.

Falcon Lights have limited promotional support, with little or no movement. The current promotion includes dollar-off carton coupons in separate special in-store displays.

Two-dollar coupons are being offered on Viceroy, Raleigh, Barclay and Belair.

Wholesale accounts report a \$30 per case offer on Kool Milds for any orders above normal weekly shipments.

LIGGETT

They continue to devote full and part-time support to their Quality Lights, offering "buy 1 - get 1 free" displays.

We continue to find coupons available on EVE and EVE Lights.

A wide variety of promotions are offered on their full price items, including their normal array of kitchen utensils and Jordache cases.

They continue to employ part-time support for use in carton and package merchandising.

2043945061

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They continue to employ part-time support for use in carton and package merchandising.

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LIGGETT (cont'd)

They are also offering a new merchandising contract which increases their row dollars from \$12 for six rows to \$27 for ten rows. This agreement applies to accounts in the 300 to 500 cartons per week volume range.

LORILLARD

Two-dollar carton coupons were generally found on Kent, Newport and Maxi in the New Orleans area.

Newport is planning a 2-for-1 offer to begin in September and extend through October, to be run in conjunction with their special coupon offer for two free cartons of Newport.

Our office sampled the mail-in offer on Newport and within two weeks-received, postage-paid via UPS, two full cartons of Newport Kings, with all applicable state taxes paid. This sample offering was forwarded to Steve Sabella's office.

Additional activity is in the area of the True package change, as they are offering one-dollar off coupons on all cartons True.

R. J. REYNOLDS

Vantage is offering \$1.50 carton coupons in Louisiana and Mississippi. Winston and Salem are offering \$2.00-off coupons in Louisiana and Mississippi.

They continue to offer 2-for-1's on behalf of Winston Lights, paying from \$1.50 up to \$5.00 for in-store displays.

All area wholesalers report an endless supply of 2-for-1 products being received for September promotions, and inventories of this type of promotional product in regard to RJR packings are extremely high.

DORAL is offering "buy 1 - get 1 free" displays in all areas of the Section. Additionally, area-to-area couponing will vary from 50¢ up to \$1.00 on all DORAL packings. Although the heavy DORAL couponing would appear to be diminishing, we are seeing coupons affixed to most DORAL packings area to area. This is accomplished usually through part-time support.

Winn Dixie has allowed RJR to place one of their new security fixtures of the 7-shelf variety in a Westbank New Orleans store. The fixture has some type of alarm to identify when cartons are being removed. In discussion with the Winn Dixie merchandiser, they are under the impression that tobacco companies are trying to answer a need but, in Winn Dixie's case, bells and whistles do not necessarily mean that they will maintain a self-service posture.

2043945066



III. TRADE CLASSESWHOLESALEDistributor

Lee Dee/Lake Charles, Pelican/Lake Charles - We will again be using these two accounts to direct ship both promotional product and displays to accounts for assembly our our Sales Representative. This will be accomplished without any special program/display payments to the distributor accounts.

Grocer

No additional developments to report at this time.

Vending

Metropolitan, New Orleans, La. - This account recently acquired Accurate Vending (300 machines) and USA Vending (30 machines), bringing their total machines up to 1,500 in the New Orleans trading area.

Maxi Credit Vending Program

Some 370 additional columns and headers were attained in the following accounts ... Automatic Cigarette Service, Lake Charles; Louisiana Cigarette Service, Lafayette; National Cigarette Service, Lafayette; VJ Vending, Lake Charles.

2043945067

RETAILSupermarket

Please note the comments made in the Section Manager Key Account Contact section and Senior Account Manager contact section of this report.

Convenience

Please refer to the Senior Account Manager Contact portion of this report.

Drug

Eckerd Drugs/Louisiana Division, Hammond, La. (166 stores) - We successfully contacted the Regional Manager for Eckerd stores in our area and presented a wide array of Philip Morris programs. He was extremely receptive to our presentation and, during the next two to three months, he will participate in select carton promotions. Beginning the week of 8/31, he agreed to force out an assortment of Marlboro and Cambridge to alleviate some out-of-stocks and increase inventories.

Drug (cont'd)

Please refer to the Senior Account Manager Contact portion of this report.

Mass Merchandiser

K-Mart/Lafayette District - Local managers indicate that all competitive generic product will be removed from K-Mart's operation in the area as a result of a recently signed agreement with Reynolds. Specifics are unknown at this time, but all divisions in the area have been advised of this matter.

Gas/Liquor

No comment.

IV. SSM KEY ACCOUNT CONTACTSWinn Dixie/New Orleans Butch Lund - Senior Merchandising Manager

Accompanied Senior Account Manager Thomas Kennard on his presentation on behalf of PM package fixturing, M-Series displays and Value Centers. All three programs were taken under advisement. We agreed to deliver samples of all fixtures to their conference room for review by their Executive Committee. The PM low-profile spinner units were ruled out for use due to size. The Value Centers and M-Series displays remain under consideration with no decision at this time.

The use of a secondary end cap was discussed briefly as prelude to an extension of Philip Morris fixturing in self-service Winn Dixie outlets. SAM Thomas Kennard is currently gathering data for a presentation in this area.

A&P/New Orleans Gene Hebert - Merchandiser/Buyer

Accompanied Thomas Kennard on his presentation to eliminate out-of-stocks in A&P during the conversion from their warehouse to Imperial Trading Company/New Orleans. Gene demonstrated little concern for the healthy number of out-of-stocks in A&P for all companies across the board, or the loss of related business. He did agree to take steps to alleviate the situation as quickly as possible and agreed to contact Imperial Trading to further offset the problems we identified in this area.

We further reinforced the Value Center presentation recently made to upper management within A&P and enlisted their support in acceptance of the PM program.

2043945068

[illegible]

At the same time, I took the opportunity to overview Philip Morris' situation in A&P outlets and the large number of out-of-stocks we were identifying through audit of our products. Bob Pierpoint and John Georges were sympathetic and stated that they had made presentations to improve the situation on a number of occasions, with little response from A&P. As related by Imperial personnel, it was A&P's decision to make the transition from their warehouse to Imperial in this matter, and they were somewhat reluctant to acknowledge the glaring error they made in the transition. Both Bob and John agreed to take steps to immediately improve the situation with healthy forced product to all A&P outlets.

This account has accepted Virginia Slims Ultra Lights, Cambridge Full Flavor and B&H Lights Box.

2043945069

Senior Account Manager Status Report (cont'd)51-41-00 (cont'd)

K&B Drug/New Orleans - K&B continues to test our Maxi-5/combination display. We were expecting a decision on extension of this program into all K&B outlets; however, due to related problems with magazine suppliers and the K&B Operations Department, a decision has not been made at this time.

Our relationship with K&B continues to improve and we have penetrated from the Buyer level up to the President of this operation. Our verbal conversations with all levels indicate that they are very much in favor of Philip Morris' presentations and they are extremely pleased with our commitment to their business to this point.

We were recently able to stop the erosion of our pole/wall and counter balance signage program in this chain, as we obtained a firm authorization for a third of the chain's stores in the New Orleans, Baton Rouge, Alabama coastal and Florida panhandle areas.

This account has accepted Virginia Slims Ultra Lights and Cambridge Full Flavor. Our B&H Lights Box presentation was favorably received and we expect a decision by the week of August 31, 1987.

Schwegmann/New Orleans - The recently proposed test of 2000 Series fixturing in a new Schwegmann's outlet was canceled in lieu of RJR fixturing. R. J. Reynolds countered with a slight increase in dollars, but the predominant reason remained that they had served Schwegmann's for over 15 years.

We reinforced the value of our fixturing and proposed including PM fixturing with that of R. J. Reynolds in all Schwegmann stores. Schwegmann's has requested a showing in late September or early October for review by President Sam Levy and Senior Merchandiser Roy LaCoste.

Of late, Schwegmann's has been generally unresponsive to new brand proposals, and it has taken a considerable amount of time to secure distribution within their outlets.

Virginia Slims Ultra Lights has been accepted; Cambridge Full Flavor has been refused; B&H Lights Box is under consideration at this time.

Our short-term objectives include showing 2000 Series fixturing, and advising Schwegmann's of the availability of our electronic message center.

2043945070

Senior Account Manager Status Report51-41-00 (cont'd)

Conco Distributors/Lafayette  
Harrison Company/Shreveport  
Malone & Hyde/Broussard  
Malone & Hyde/Monroe

The above named Louisiana wholesalers have accepted our new brands in a timely fashion ... Virginia Slims Ultra Lights accepted ... Cambridge Full Flavor accepted. Projected date of B&H Lights Box acceptance is week of September 7, 1987

The level of penetration in each of these accounts is from Buyer through President, and discussions have taken place with merchandising personnel to insure an understanding of Philip Morris programs and how they relate to the development of their business with their retail accounts.

We have received favorable responses from all accounts regarding our fixturing programs and the potential to develop business in the areas covered by these wholesale operations. Additionally, we are discussing ideas acceptable to these accounts where additional business can be developed through Philip Morris programs.

51-42-00

Great Southern Mercantile/Gulfport, Ms. - Virginia Slims Ultra Lights accepted; display program pending.

Cambridge Full Flavor accepted. Related participation to include force-out and 2-for-1 displays.

Benson & Hedges Lights Box - appointment scheduled for 8/27/87.

The overall business relationship between Philip Morris and Great Southern Mercantile has improved since receiving Senior Account Manager contact. Although headquartered in Gulfport, their operation is geographically centered in the northern one-third of the state of Mississippi and can greatly influence our visibility and distribution in those areas.

Our long-term objectives include an extension of exterior visibility through wall/pole and counter balance units, development and extension of our M Series display program into prime position, and the acceptance of Value displays in all outlets.

Jr. Food Marts of America/Jackson, Ms. - Virginia Slims Ultra Lights accepted with participation in related 2-for-1 programs.

Cambridge Full Flavor pending.

Benson & Hedges Lights Box appointment scheduled week of 8/31/87.

Senior Account Manager Status Report51-42-00 (cont'd)

Counter positioning was recently upgraded to prime, as well as expanding old B displays into the M-4 low-profile displays. To date, we have penetrated through the merchandising level and have identified several key players to influence decision-making in their franchise operation.

Long-term goals include the development of our signage programs within their operation - both corporately controlled stores and franchisees - and the development of Value displays within all outlets.

Recent meetings with merchandising personnel have laid the foundation for development of a program to allow Philip Morris to participate on a month-to-month basis in their window advertising program. Details of this are not fully developed and will require additional contact through 3rd Quarter 1987.

National Supermarkets/The Real SuperStore/New Orleans, La. - Virginia Slims Ultra Lights accepted. Current market share in this operation .89.

Cambridge Full Flavor accepted. Current market share 1.35, largely due to heavy force shipments to satisfy Value Center requirements the week of August 3, 1987.

Benson & Hedges Lights Box appointment scheduled 8/25/87.

All Value Centers are now in place within National Supermarkets. Final participation indicates 39 of 41 outlets accepting the fixture. The two outlets not participating are classified high risk locations or non/self-service security operations.

Long-range plans include presentation of Philip Morris 2000 Series fixturing, either singularly or in joint placement with Reynolds. Preliminary presentations in this area have already been conducted and have been favorably received from the point that they would entertain additional information.

Penetration has been through the Buyer and Senior Merchandiser levels to include key decision makers in that segment.

Sunflower Group/Indianola, Ms. - Virginia Slims Ultra Lights accepted.

Cambridge Full Flavor accepted.

Benson & Hedges Lights Box appointment scheduled 9/01/87.

The Sunflower Group, including Lewis Grocer Company, has been receptive to new brand introductions and brand promotions for some time. Their interest in our carton and pack merchandising hardware has been at very low levels, as they have been served for years by R. J. Reynolds.

Senior Account Manager Status Report51-42-00 (cont'd)

We have on numerous occasions requested time to show our fixtures to Senior management and participate in their local trade show to display our racks. This has not been looked on favorably to date, and our efforts are continuing to secure fixture and business review presentations to Senior Management of the group.

Time Saver Stores, Inc./New Orleans, La. - Virginia Slims Ultra Lights accepted. Current market share of the brand within Time Saver outlets is .93.

Cambridge Full Flavor pending - decision expected week of 8/31/87.

Benson & Hedges Lights Box presentation made; decision pending.

Time Saver and Delight have been characteristically slow to accept new brand introductions. This is a consistent trend for all tobacco companies in the New Orleans area. The only exception to this was the recent introduction of Capri, where B&W was placing displays of the four-carton variety and paying approximately \$20 per store.

In the last two months, there have been management changes made at the Buyer and Supervisor levels, and they have been somewhat more receptive to Philip Morris' presentations. This has not, however, resulted in immediate acceptance of our brands. We have been able to generate some interest in special carton promotions brand-to-brand, and this is perhaps a good indication that we are progressing in the right direction to develop the relationship between this account and our Senior Account Managers.

Our current interest with Time Saver is the development of our counter display positioning. Recently, we upgraded to prime position in 24 Time Saver outlets with our B and M displays.

Imperial Trading Company/New Orleans, La. - Virginia Slims Ultra Lights accepted with a 1.1 market share in this account.

Cambridge Full Flavor accepted - .7 market share this account.

Benson & Hedges Lights Box accepted; to arrive in warehouse 9/24.

Imperial is currently the main supplier for A&P and National Supermarkets. They are the secondary supplier for Winn Dixie and Delchamps.

2043945073

Senior Account Manager Status Report51-42-00 (cont'd)

Our relationship with Imperial and their senior management has improved considerably over the last three years. As they control a large amount of the chain business in the area, they have been instrumental in assisting us in developing programs with not only the above named accounts, but several large convenience operations and out-of-section chains located in Louisiana and Mississippi. We are currently working to develop a wholesale level program to recommend during brand launches and special promotions where major wholesalers such as Imperial are used to expand our business within the marketing area.

Malone & Hyde/Southaven, Ms. - Virginia Slims Ultra Lights accepted.

Cambridge Full Flavor accepted and couponed at the warehouse level.

Benson & Hedges Lights Box appointment scheduled 8/26/87.

McLane Southern/Brookhaven, Ms. - Virginia Slims Ultra Lights accepted; current market share .8.

Cambridge Full Flavor accepted.

Benson & Hedges Lights Box accepted; shipment week of 9/24/87.

V. MERCHANDISING PROGRAMSPLAN A

Row analysis has been run on all Section accounts on two occasions, and Division have been notified of their position in this area. Activity in re-signing Plan A accounts has been slow to this point as a result of the multiple launch activities in Louisiana and the testing of Virginia Slims Ultra Lights in the northern one-third of Mississippi.

All Senior Account Manager contacts have been reviewed in relationship to the row gap analysis and have received preliminary presentations in accordance with their needs. As we recently signed new Plan A's with the majority of these accounts during First Quarter of 1987, decisions have been slow in regard to our early presentations.

Now that Space Trek is in effect and presented to the Sales Force 8/28/87, we will begin monitoring the re-signing process in relation to our row needs.

2043945074



PLAN A-1

Marlboro Sports Gear Promotion was extremely well received, particularly since the parachute cloth was replaced with canvas. I personally heard comments from the chain and independent segments that indicated that this was an excellent promotion for Marlboro and, based on the level of acceptance, assisted in raising inventory levels and filling distribution gaps in conjunction with Marlboro M.I.S.T. activities.

Special Pack Promotions

Promotional periods involving special package displays have been addressed accordingly in the Virginia Slims Ultra Lights and Cambridge Full Flavor sections of this report.

PLAN B/M-

Payment schedule in this contracted area remains equal to the competition and effective in assisting our Sales Force in gaining acceptance of displays.

I would make a recommendation that the prime position payment be increased proportionate to volume to give us further leverage in the key convenience store operations in the area. Our recommendation is a prime position payment of \$10.00 per store.

PLAN R

Plan R is competitive when Philip Morris has self-service package fixture placements. Our success in this area is proportionate to our success in placing our fixtures. It is, therefore, my recommendation that we develop an additional program for gaining month-to-month displays on competitive fixturing, similar to our old Plan C agreement. The number of checklanes in supermarkets and the large number of customers passing through these lanes daily dictates that we develop a program to gain visibility within these accounts.

Value Programs

We remain convinced that the adjustments to our Value programs will assist us in gaining placements. The Sales Force has been instructed to seek additional placements of these units, either individually or jointly with R. J. Reynolds, and every account that offers the potential for development of our Value lines. This is also in conjunction with the placement of our BV package display. In most accounts that have received such presentation, Reynolds has been quick to counter and, in many instances, we are awaiting decision as to the direction the account wishes to pursue with regard to our proposals.

2043945075

## VI. SECTION ACTIVITIES

The multiple activities in Louisiana are currently dispersing and our Sales Force is obtaining clear direction in individual areas to develop our business.

Our current activities involve filling distribution gaps on Cambridge Full Flavor and expanding inventories of our total Value lines, the couponing of all Value product at the wholesale level, the management sell-in of Benson & Hedges Lights Box and the completion of the Virginia Slims Ultra Lights sell-in in select accounts in Mississippi that currently do not have product.

Our Sales Force has received row gap information through the MPA and has made tentative contact of Plan A accounts to evaluate our row needs. We will receive Space Trek information 8/28/87 and, in conjunction with information already received, begin reducing row gaps in Section Plan A accounts.

## VII. SALES SERVICES

We continue to be plagued by a lack of header cards for our B and M Series displays. Our needs in this area have been communicated verbally and in writing through proper channels, as this needs to be corrected at the earliest possible opportunity.

Individual audits throughout the Section indicate Marlboro inventories at levels higher than First and Second Quarters 1987. Plan A and B compliance levels are approximately 96% combined. It is also readily apparent that our possible inventory and rows of Cambridge is below that of the competition. This matter has been addressed with the Sales Force to begin developing our business in this area.

## VIII. SALES DEVELOPMENT

Several of our accounts have expressed concern over our recent Virginia Slims preferred stock \$2.00-off coupons. In select instances, consumer was presenting the stock certificate rather than the attached coupon for redemption. In reviewing copy of the advertising run, it is apparent that the two could be confused, even though the coupon is clearly marked with a dotted line. On many past occasions regarding our coupon offers, the customer has been confused.

2043945076

Sales Developments (cont'd)

I would suggest that we present our coupon offers in a more understandable fashion in order to alleviate such confusion in the future (copy of SAM Thomas Kennard's letter and appropriate response from Liz Weisser/NYO attached to Region copy of this report).

IX. MEDIA DEVELOPMENTS

As reported during recent audits conducted during the Virginia Slims Ultra Lights test and Cambridge introduction, the majority of billboards in the New Orleans area rotated to Merit Ultra Lights. This rotation to Merit Ultra Lights also applied to all Act Media in-store supermarket advertising.

It would be my suggestion that during test introductions, in keeping with accepted practices in this area, we continue advertising the test brand for a longer period of time in the test markets - particularly in the Act Media area where the consumer can have individual contact either in aisle or with a shopping cart.

X. ASSOCIATIONS & CONVENTIONSLouisiana Retail Food Dealers Association

Section personnel attended the above named convention and participated with 140 other suppliers. There was an attendance of some 650 members at this function. It was our feeling that the event, although somewhat small, was helpful in developing our business, as Senior management people with A&P, Winn Dixie and Schwegmann were in attendance.

Sunbelt C-Store Exposition

This was the first combination event of this nature for convenience store operators in a United States area in the southeast. This year's convention was highlighted with 140 booths by the same number of manufacturers. Approximately 1,000 retailers were in attendance during the exposition, including select key chains in Section 51 such as Cracker Barrel, Time Saver and Jr. Food Marts of America.

Our Senior Account Managers were in attendance and they state that they had the opportunity to present our overhead and package merchandising successfully and received numerous commitments for follow-up contact in this area.

XI. SSM MISCELLANEOUS COMMENTS

No comments at this time.

2043945078

# I. MARKETING CONDITIONS

Cambridge Full Flavor -- Distribution of product at retail has been slow. Several of the chains, i.e., Circle K and 7-11 force outs were delayed.

The following accounts have refused Cambridge distribution and we are in the process of following up with them:

E-Z Go Foods, Lawton, OK (11 stores)  
Kayo Oil Co., Arlington, TX (53 stores)  
Mr. OS Shop N Go, Tahlequah, OK  
Taylor Petroleum, Amarillo, TX (73 stores)  
Toot-N-Totum, Amarillo, TX (54 stores)  
Mr. M Stores, Dallas, TX (47 stores)

We have closed distribution gaps at World Liquor (17 stores) and Mobil Dallas District (55 stores).

We are also getting requests for vending labels for Cambridge. Many vendors see this as an opportunity to reduce their prices in their machines while selling a quality cigarette.

**Suggestion:** In order for new brands to be a success, they must have a home for inventory and visibility at retail. Recently several of our introductions have lacked both carton and package rack labels during the initial stages of our introduction. It is imperative that we have these labels in order for us to professionally label an area for the product. We are still in dire need of Cambridge Lights and Cambridge Full Flavor carton rack labels.

Virginia Slims U.L. -- To date we have had no accounts turn down these packings. Many of the accounts, due to the previous 120's introduction, are ordering extra product. For example, Furrs in Lubbock had an allocation of 10 regular and 6 menthol cases, and have ordered 18 and 14 cases.

Some chains also approved the 2F1 display that normally do not, i.e., Tom Thumb. The line number list for this packing is virtually complete, which will enable our sales force to start the introduction the first week in September with all the necessary tools.

B&H Lights Box -- Preliminary results indicate the brand will achieve a good acceptance. Will follow-up on next report.

2043945079

There has been a shift in unit sales through the first 6 months due to price increases and load-in factors. The industry in Section 52 has an erratic sales picture, i.e., when buy-ins occur, unit sales are high.

Currently the industry is down approximately 9% and Section 52 is down 6.6%. After further review we have noticed 4 accounts account for most of our loss. The closing of Safeway, Dallas contributed to over 100 million units, the moving of Kroger Distribution Center to Houston accounts for 120 million units and Southland Distribution Center is lagging 85 million units.

We predict that we will continue to fare better than the industry but will be behind in sales as compared to 1986. We noticed one area of concern. R.J.R., both on a 12 month moving average and a year-to-date average is showing improvement as compared to both Philip Morris and the industry. We feel that this is due to their lucrative buy-in on the latest price increase. We will continue to monitor and we predict there will be a correcting factor made in August.

**Suggestion** -- Recently, S.A.M., Gary Thornton and I met with Fleming and discussed the formatting of mailgrams on price increases. Attached is a recommendation from Gary Thornton which is a result of our conversation on how price increase formats could be restructured to help simplify the procedures during hectic times. I strongly recommend that we include the summary page recommendation because the industry would overwhelmingly applaud its simplicity. I would also predict that it would become the basis for all industry price increases.

## II. MAJOR COMPETITIVE DEVELOPMENTS

American -- As reported earlier, they are introducing Pall Mall Filter 100's with \$2 off coupons attached. Distribution percentage unknown at this time.

Malibu -- Distribution excellent, sales poor. As a matter of fact, rumor has it that American's upper management is dissatisfied with its sales. They continue to coupon Lucky Strike with \$1.50 and \$2 off coupons, sales are slow.

Brown & Williamson -- Falcon showing very little movement even with coupons. They are also placing 10¢ off GPC packs, however, sales are shifting to branded Generics.

Liggett & Myers -- Sales on all their products continue to drop even with their incentives.

2043945080

Lorillard -- Will introduce Newport Slim Light 100's in the Dallas market very soon. We are attempting to get details. At retail they are actively promoting Newport with \$2 off coupons and 40¢ off with a 3 pack purchase.

R.J. Reynolds -- As reported earlier in the month to Steve Sabella, Reynold's is planning to cut their coupon support on Doral to a "need basis". They are only couponing where necessary with 50¢ off a carton. They are, however, placing many \$2 off coupons on both Winston and Salem.

They are also promoting Winston with B3G3F and, most recently, buy 2 packs get an upscaled beverage can cooler.

We ascertain that Reynold's recent increase in sales are due in part to both the above mentioned retail efforts and, as reported earlier, their load-in program. Once July and August sales are in, we will have a better handle on Reynold's impact to PM sales.

### III. TRADE CLASSES

Distributors -- Distributors had little comment concerning the price increase. Most realize that it is a fact of life and they do reap additional profits during these periods. The only negative comment we have heard is in regards to the multi introductions of new brands. They are commenting that they are running out of space quickly.

Wholesale Grocers -- Fleming Grocers is beginning to market their new generic brand Rainbow.

Grocery Supply has invited us to participate in their annual marketing meeting which we have made plans for both S.A.M., Jerry Bristow and myself to attend.

Grocery Supply has purchased Tate & Son in Abilene and Commanche, Texas.

Tyler Simpson in Norman, Oklahoma has sold their business to a group of cattlemen.

Scrivner Vice President, Stan Alexander has asked that a Senior Executive from our financial department meet with their Executive Vice President of Finance to discuss in person the Electronic Funds Transfer system. This is not an "operational" discussion but a philosophy discussion concerning float of money and other various financial details. Based on Consultative Selling, this is a golden opportunity for us to partner at the executive vice president level.

Communication has been followed up with Ralph Mannheimer and I will report on results next month.

2043945081

Supermarkets -- Tom Thumb will no longer allow couponing at their warehouse due to its interference with their operation. A few weeks ago we couponed Cambridge with out-of-date coupons and we were quickly asked to remove them.

There continues to be a trend of including the value center with the carton fixture which will help us in gaining more rows for Cambridge and Player's Lights 25's.

Safeway, Oklahoma City, Fixture Show, [see comments under PM carton and package fixtures].

Convenience/Gas -- Southland -- Due to their leverage buyout by senior management, there will be in intense pressure to reduce inventories in their stores. Since cigarette inventories carry the highest dollar figure they will incur the highest pressure. For example, North Texas Division is planning to drop 15 brands of all companies. We are currently developing a profit analysis including financial impact of reduced availability of product.

Drug -- No changes.

Vending -- Due to the most recent excise tax increase which will be effective October 1st in Texas, many vending accounts have requested and been delivered maxi credit coin channels. The Area Managers have been charged to pay special attention to our vendor's needs in order for us to increase our column percentage.

Mass Merchandisers -- American Wholesale Club of Richardson, Texas is no longer joint to buy direct because they do not have enough volume to be cost efficient. They will buy from a local distributor.

#### IV. SSM KEY ACCOUNT CONTACTS

Fleming, Ft. Worth

Contact: Rick Pickering

Accompanied S.A.M., Gary Thornton. Virginia Slims U.L. were presented and accepted. We also discussed the aforementioned price increase mailgrams.

Standard Vending, Amarillo, TX

Contact: David McKean  
Mike Morrison  
Mike Lendley

Discussed various aspects of the taxation problem. We also discussed load plans and provided schedules for delivery of the maxi credit coin channels.

2043945082



McCarty Curtis, Amarillo, TXContact: Andy Andreau

We discussed his operation and also followed up on the impending legislation and our joint efforts to combat its possibilities.

Ray BelleContact: Steve Stout

Briefly met with Steve and discussed his operation and reviewed inventories.

Affiliated, AmarilloContact: Denise Johnston

Accompanied S.A.M., Barbara Lynch on her first contact with this account. She presented the new brands which were carried to committee and he discussed the operation and his function as buyer. He also made a formal request as sanctioned by Affiliated management that we have the same personnel calling on Allsup's as calling on Affiliated. Allsup's is a 300+ convenience store chain and is Affiliated's #1 customer. Based on the opportunities afforded to us, I would agree that SAM, Barbara Lynch should also have Allsup's responsibility.

SAM KEY ACCOUNT CONTACTSGary Thornton, 52-41-00Safeway, Oklahoma City

Fixture show at the Marriott, Oklahoma City. Test store approved.

Safeway, Oklahoma CityContact: Mary Adamson

Presented Virginia Slims U.L., brand accepted.

Fleming, Oklahoma CityContact: Julie Cox

Presented Virginia Slims U.L., brand accepted.

Scrivner, Oklahoma CityContact: Steve Harvill

Presented Virginia Slims U.L., brand accepted.

Fleming, Ft. WorthContact: Rick Pickering

Presented Virginia Slims, U.L., brand accepted. Mid-year review, price increase discussion.

2043945083

7-Eleven, Oklahoma CityContact: Jim Rooker

AV display rejected. Cambridge Full Flavor accepted.  
Requested Southland Carton Fixture presentation.

Love's Country StoresContact: Jay Jameson

Business review, Plan B presentation requested.

Winn DixieContact: Robert Cox

Presented Virginia Slims U.L., brand accepted.

Scrivner, Oklahoma City

Attended Scrivner Trade show - Series 2000 and package fixtures. Good show.

Fleming, Ft. WorthContact: Rick Pickering

Delivered incentives for Fleming picnic.

Barbara Lynch, 52-42-00

Kroger, Irving, TX

Obtained plan-o-grams for the 7 Safeway stores purchased by Kroger and updated contract records. Accepted Virginia Slims U.L. Product will be available to stores the week of 9-14.

Minyard, Coppell, TX

Presented Virginia Slims U.L., brand accepted.

Quik Trip, Tulsa, OK

Presented Virginia Slims U.L., brand accepted. Will participate in the first 2F1 (40 deal). Received authorization for reps to re-present BV and BG displays in non-participating stores.

Mapco, Tulsa, OK

Accepted Virginia Slims U.L. Received authorization for the following displays: 2F1 (40 deal) week of September 7th, 2F1 (40 deal) week of September 28th, 2 pack with lighter (40 deal) week of October 26th and Book of Days (20 Deal) week of November 9th.

2043945084

Affiliated, Keller, TX

Accepted Virginia Slims U.L. packings. Corrected a Cambridge pricing problem, retail stores should reflect correct pricing by the end of August.

Affiliated, Tulsa, OK

Virginia Slims U.L. accepted.

Trinity Distributing, Ft. Worth

Accepted Virginia Slims U.L.

V. MERCHANDISING PROGRAMS

Plan A -- In the initial stages of the new Plan A presentations, Furr's of Lubbock (125 stores) and United of Lubbock, (39 stores) have recently signed Plan A contracts and we were able to close the row gap.

We also signed Drug Sav Food Fast (7 stores) at 90 rows for an increase of 14 rows.

Each SAM, AM and DM has set specific row objectives for each one of their Plan A accounts. Based on initial results, we should be able to make significant row gains.

Plan A-1 -- After review of participation during the Marlboro MIST program, we strongly recommend that we change the A-1 program where payment could be made in cash and the reps can sell it down the street.

We also strongly recommend that multi-purpose 30 carton floor displays with blank header cards be created. Therefore, when we as a Section need to promote a brand, we can simply attach posters to the blank header card and use the display where business needs dictate.

Plan AM -- We are in the initial stages of this program and we have signed Woody's (14 stores) to the AM contract.

C/I -- Nothing new to report.

Plan AV -- Currently we are in a test with E-Z Marts, placing modified AV's. We have seen a continued shift by Reynolds who are adding 4' flex units to the carton merchandiser. With our modified Plan A, we will be able to get the necessary rows for our Value Priced products.

2043945085

Plan B -- We are still in need of 7-11 M-5 displays. We currently are behind in placing approximately 70 displays. We have contacted the appropriate departments in New York to no avail. One area of concern is the compliance problems we are experiencing in the 7-11 stores. SAM, Jerry Bristow is following up with 7-11, North Texas for assistance.

Plan BV/BG -- We continue to place emphasis on BV's and we once again recommend that due to compliance problems, BG's be handled as a temporary display.

Plan R -- With our Series 2000 push and package fixtures, we should experience increased participation with this contract.

PM Carton & Package Fixtures -- We are actively pursuing Series 2000. Recently we held a fixture show with Safeway, Oklahoma City's Management Staff. SAM, Gary Thornton arranged to have the Series 2000, package fixtures and the EMC exhibited during a dinner function. Based on preliminary results, we will have a test fixture installed the week of 8/31/87. We would like to thank National Accounts and especially George Moreo for their help in making this presentation a success.

#### VI. SECTION ACTIVITIES

Cycling waved this reporting period.

Consumer Intercept Program -- The consumer is very receptive to the personal contact and instantly redeemable coupon packet. It has proven very effective in switch selling situations and provides the catalyst for the consumer to convert to our product.

One of the problems the sales reps have voiced is having to sort through their coupon packets to take advantage of the spot in-store switch. The recommendation from the sales force is a generic coupon packet. By the sales reps personal and professional presentation the consumer would try the product selected. If for some reason the particular packing the sales rep chose did not satisfy the consumer, the consumer would have an extra reason to try another packing of our product.

2043945086

This recommendation would enhance our overall consumer mission. It would reduce:

- . The problem of sorting through various packets
- . Running out of a brand family
- . Improper call preparation (forgetting to stock up packets of a particular packing).
- . Assist in consumer development (ability to try other products).

Utilization to date is 6.73 with our goal being 8 per day.

After reviewing accomplishments made year-to-date, we feel that our carton fixture placements are lagging. Therefore, our second half goals are as follows:

We have set objectives of 10/4 or 7 wide fixtures and 2 package fixtures per rep.

Our goal is to reach 85% distribution on the Cambridge family, 90% on Virginia Slims U.L. and 95% on B&H Box.

In regards to Plan A we would like to sign 70% of our accounts, obtaining 105 to 110% of row gap.

On compliance we plan to reach the 97% compliance level.

If we reach these objectives by the end of the year, we will greatly impact our potential sales.

Retail Merchandisers -- Nothing new to report.

Marlboro MIST -- During the Marlboro MIST program we targeted 4 brands. We had the following increases in units and distribution:

	<u>January 1987</u> <u>Distribution</u>	<u>June 1987</u> <u>Distribution</u>	<u>June 1987</u> <u>Unit Chng.</u>
Marlboro Red Box	94.5	95.5	- .8%
Marlboro 100 Box	81.7	85.0	+11.2%
Marlboro Lt. Box	83.3	85.9	+21.9%
Marlboro Lt. 100 Box	79.7	83.1	+10.7%

We feel that the Marlboro MIST program was a good program and we will continue to stress Marlboro's importance at the retail level.

2043945087

## VII. SALES SERVICES

We recently received our new planning desk equipment and we are thoroughly pleased with its capabilities, graphics and other elements that it offers. It has already made an impact on the professionalism of our presentation.

We are still incurring lock up during certain programs. Mr. Bonomo is fully aware of the problem and is currently trying to solve the problem. We appreciate his help.

## VIII. SALES DEVELOPMENT

We would like to extend our thanks to Kirk Babe and Paul Bernardo on their recent visit to Dallas to discuss the Winn Dixie-strategy that Sales Planning and National Accounts are pursuing. We appreciate being kept informed of opportunities with this difficult chain.

## IX. MEDIA

During the initial stages on the Cambridge Full Flavor introduction we saw virtually no billboard reinforcement for the brand. We would like to request that a listing of billboards in the Section and possibly a current media list be provided so that we may visually inspect and monitor to ensure proper placement.

## X. ASSOCIATIONS AND CONVENTIONS

Opportunities and Industrialization Committee -- As a member of the Board of Directors, we are getting more involved in public affairs in the City of Dallas. Through the help of Mike Irish and Alan Miller we will be the sole sponsor of OIC's 20th anniversary reception. A projected list of 700 attendees include Mayor, Annette Strauss, several city council members including Al Lipscomb, Diane Ragsdale, country commissioners, etc.

Since key political figures and major executives of various corporations, including IBM and Texas Instruments, will be in attendance, we have an opportunity to make a real impact in the political arena.

The overall theme of the reception will be "Quality Matters" and the guest singer "Benita" will have the headline "B&H Command Performance presents Benita".

We appreciate support from the New York Public Affairs Department and the Brand Promotion Group. We will report on its status next month.

TAP/TAN -- The Dallas Smoking Ordinance still has not come to vote but information has been forwarded to Alan Miller and we will keep Public Affairs addressed as to its status.

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I. MARKETING CONDITIONS

Overall economic conditions within the Section show little change. The Rio Grande Valley suffers extremely high unemployment, volatile peso devaluations and loss of business, particularly in border areas.

Houston economic conditions remain flat with most negative press involving city and county budget problems. Unemployment is still relatively high, but most forecasters indicate improvement is just around the corner. The economy is diversifying by attracting new business. Most new business is in the high tech, space and medical industries.

Product pricing is once again beginning to trend upwards. Major convenience chains have raised pack prices from an average of \$1.15 to \$1.25 plus tax in a short period of time to build profit margin.

Activity in the generic priced product category is increasing from all companies except Lorillard. The field is becoming crowded with recent introductions of Falcon, Malibu, Rainbow, Total, Doral Full Flavor and Cambridge Full Flavor with national introduction of Magna pending. These new entries are squeezing Black and White packing out. Doral remains solidly positioned as the leader in this category. However, with R. J. Reynolds now cutting back on carton coupons to 50¢ or no coupons at all and our current promotion of the Cambridge family, we stand a chance to cut into Doral's sales.

New BrandsCambridge Full Flavor

With the introduction of the full flavors, the entire Cambridge family sales have picked up. The \$2.00 coupons have helped tremendously but I feel the availability and visibility of the product on the B and M displays has been the most effective.

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Consumer acceptance has been good. Trial through the two-for-ones was excellent. Quantities lasted only a few days. Consumers indicate product has a good taste and that the packaging is appealing.

Visibility is weak thus hurting brand awareness. Sales force P.O.S. was limited to small posters and media was very limited with no outdoor.

There has been a problem in logistics concerning this introduction with reference to select and non-select markets. In some cases, we find one territory in a division categorized as a select market while all other territories surrounding it are non-select. In other cases, we find bordering territories in the same town labeled as select and non-select. This causes retailers concern over promotional activities. They want to know why their stores in the same geographical area cannot have the same promotions.

All indications from the initial introduction show that Cambridge Full Flavor will be a success. Follow-up will be critical to build adequate inventory levels to satisfy consumer demands.

#### Virginia Slims Ultra Lights

Response to date has been very favorable. Only one account refused the brand. Very few accounts have expressed any ill feeling towards this brand. The "super flashlight" trade gift has been particularly appreciated. When approached, most buyers thought the brand was already on the market.

To date, all but six wholesalers have been presented this brand and these six are scheduled for presentation within the next few days.

#### Benson & Hedges Lights Box

This brand is progressing the same as the Virginia Slims Ultra Lights. It is being sold in along with Virginia Slims. We are not meeting much resistance on this brand even though some was expected. Initial response appears good.

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Political Activity

Implementation of the Houston smoking ordinance is progressing very slowly. The ordinance calls for each county building with 20 or more employees to create a written policy designating which areas are smoking and which ones are non-smoking. This is causing considerable confusion since specific guidelines are absent.

II. MAJOR COMPETITIVE DEVELOPMENTSAmerican Tobacco Company

Pall Mall Red Filter Kings and 100's - This brand is being promoted in the traditional red package, possibly to replace the Pall Mall Filter in the white package. Shipment to wholesalers began on August 10. All product shipped from August 10 through August 28 had \$2.00 coupons attached to cartons.

Malibu is the primary thrust of the sales force. The bright pastel pack is very visible, but sales are slow despite the \$3.00 coupons on cartons and 30¢ coupons on packs. It is being merchandised in a free standing value center display.

Additional Instant Coupons:

Lucky Strikes	50¢ off packs along with two for one offers.
	\$2.00 off cartons.

Personnel

A new district manager, John Phillips, has been added in Austin. This territory was formerly worked out of Dallas.

Brown & Williamson

Falcon - Good distribution on this brand but sales are slow. Sales Reps are paying retailers \$2.00 a carton to sell Falcon for 10¢ less than other value products.

During a recent Series 2000 placement, B & W Sales Rep demonstrated they can sign for additional rows over 38 by incorporating Falcon rows. Although this is not supported by any contract information we have, we were informed that they will pay for 50 rows.

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Instant Coupons

Falcon	10¢ on packs
	\$1.00 on cartons
Kool	2.00 on cartons
Richland	2.00 on cartons
Barclay	2.00 on cartons
Belair	2.00 on cartons
Raleigh	2.00 on cartons

Liggett & Myers

Rainbow - Retail introduction has begun but no information is available on movement. Have two-for-one offers.

Instant Coupons

Quality Seal	\$1.00 on cartons
Eve	2.00 on cartons
Lark	2.00 on cartons
Chesterfield	2.00 on cartons

P. Lorillard Company

True - Old packings are being rotated out with the use of \$2.00 and \$1.00 coupons, depending on the dating of the cartons.

Newport was sampled heavily during the nine-day Aquafest in Austin, Texas. Samples were also left at the booth locations. They reportedly paid \$2,000. for exclusive rights to sample.

Instant Coupons

Kents	\$2.00 on cartons plus a mail in coupon to receive three additional coupons worth \$2.00.
Newport	2.00 on cartons.
True	2.00 on cartons.
Satin	2.00 on cartons.
Max	2.00 on cartons.
Old Gold	2.00 on cartons.
Triumph	2.00 on cartons.

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R. J. Reynolds

Doral - Sales Reps continue to aggressively promote Doral but are not using coupons at present.

Century - Newly designed packs are being seen at retail with no appreciable increase in sales.

Winston - The six-pack of Winstons seem to be selling well in the high volume convenience stores where it is being offered. Visibility is excellent with sold here signs, pump toppers, metals and counter balance signs.

An outside agency is being used to distribute \$2.50 coupons on all brands.

The Winston car racing series is evident on tracks in Kingwood, League City and College Station.

A massive load-in to retail is now in effect with \$2.00 coupons being attached to cartons. Sales Reps are switch selling with live product.

Sales Reps are approaching accounts with our overheads and offering \$12.00 to \$14.00 a month for modules attached to the legs.

Instant Coupons:

Winston	\$2.00 on cartons
Camels	2.00 on cartons
Vantage	2.00 on cartons
Century	2.00 on cartons

Special Information

K Mart Corporation has entered into an agreement with Forsyth Tobacco Products, a division of R. J. Reynolds, to handle a private label brand of cigarettes. The brand name is "Austin" and it will be exclusive to K Mart. Doral and Austin will be the only value brands carried by K Mart. The first shipment of Austin will arrive in K Mart stores on September 27 at which time all other brands of generic cigarettes must be removed from the K Mart stores except Doral. This product comes in seven packings: Filter

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Lights 100's and 85's; Full Flavor 100's and 85's; Ultra Light Filter 100's; Filter Light Menthol 100's and 85's. Austin cannot be sold to any company other than K Mart Corporation.

### Personnel

Another part time employee has been added in McAllen (makes three). She will be used exclusively to coupon.

### III. TRADE CLASSES

#### Direct Wholesalers

Direct wholesalers made up 78.6% of total Section sales, down 6.7% year-to-date. Inventories are now leveling out from the increased buying as a result of the last price increase activities.

The state has passed the new bond provision requiring wholesale houses to have the cash in the bank as opposed to a bond for doing business. In talking with some of the wholesale houses, the primary reason for this is because the state has lost several thousands of dollars in the past few years as a result of accounts going out of business without having renewed their bonds. With this new measure, an account will not be able to go out of business with an expired bond because the cash will have to be in the bank. Several accounts feel that this will have an adverse affect on some of the smaller wholesale houses in having to come up with that much cash. As a result, it is very likely that we will see some of the smaller accounts going out of business or possibly some mergers in the near future.

#### L. L. Harris, Corpus Christi, Texas

L. L. Harris has resumed buying direct from Philip Morris and is no longer buying cigarettes from H. E. B., San Antonio. July sales are down 63.3% while year-to-date sales are down 58.2%. Account is trying to make a comeback in the local trade area. Financial situation is reportedly getting better.

#### Big Diamond, San Antonio, Texas

This account is down 18.1% year-to-date through June 30. Diamond Shamrock has come to terms with McLane and has set August 28 as the date Big Diamond will be closed and McLane will resume as supplier for Diamond Shamrock stations.

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Big Diamond discontinued accepting return goods effective August 10. Standing orders were suspended the week of August 17.

Johnny Achilles, currently the general manager for Big Diamond, will become a combination buyer and liason between Diamond Shamrock and McLane. All other employees will be interviewed and will be placed in offices or store positions or will be terminated.

#### Direct Distributors

Direct distributors made up 25.8% of total Section sales, down 12.9% year-to-date and down 12.5% during the second quarter.

#### Direct Retailers/Supermarkets

Direct retailers continue to account for 17.9% of total Section sales, down 3.3% year-to-date but up for the second quarter 2.4%.

#### Paraiso, San Antonio, Texas (1)

A unique market concept was set for its debut the week of July 27, 1987 on San Antonio's south side and is expected to go nationwide by its co-owners. This store has a \$2 million to \$3 million inventory in a newly remodeled 71,000 square foot building at 1043 S. E. Military Drive. The store will have a low price image and inventory will include a wide selection of major appliances, automotive, electronics, jewelry, groceries, clothes and Mexican imports.

Co-owners Carlos Del Toro and Dan Geagals predict three or four more Paraiso stores will be opened in San Antonio before the business expands to other cities. The second store will start in about a year.

#### Convenience/Gas

This trade class accounted for 3.5% of Section business, down 18.1% for the year and was also down for the second quarter, 14.9%.

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Gulf A P S I, Houston, Texas (130)

This chain is currently in the process of buying out 14 Stop n Go stores, all located in Houston. Our eight foot overhead racks are being placed in each store as it is completed. At the end of July, seven of 14 stores have been finished and overheads installed in them. They now have a total of about 66 walk-in type locations. Within the next 60 days, a total of 27 new locations will have been purchased and our overhead fixtures installed. They are projecting 145 stores by year end.

We signed a new M4 contract for all 66 walk-ins, upgrading from B3 status. Authorization letters and new store lists have been sent to the field. We will follow up with new logo signage.

Direct Drug Stores

Drug stores account for .8% of total Section business, down 22% year-to-date and down 17.9% for the second quarter.

Drug Emporium, San Antonio, Texas (6)

Area Manager Ed Zamarripa made Series 2000 presentation along with Division Manager Bob Satterwhite and Sales Rep Mario Duron. Account accepted the new Philip Morris rack along with Philip Morris electronic signage.

Direct Vendors

Direct vendors accounted for only .4% of the Section's business, down 4.7% for the year but up for the second quarter, 6.7%.

Big State Vending, Houston, Texas (851)

This is the only direct vendor in the Section. Year-to-date sales are down 24.2% and continue to decline each month as a result of overall decline in vending sales due to more competitive over-the-counter sales and couponing.

Mass Merchandisers

Nothing to report this period.

Government

This trade class accounted for 3.2% of Section's total business for the year, down 5.7%, up for the second quarter 1.5%.

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IV. SECTION SALES MANAGER KEY ACCOUNT CONTACTSAccountContact

National Convenience Stores  
Houston, Texas

Elaine Kennedy  
Senior Corporate Buyer

Called on this account with S.A.M. Steve Wilkinson. We presented Virginia Slims Ultra Lights and B & H Lights Box. We also followed up on Cambridge Full Flavor. We were assured that the product was being added and they are taking the two for ones and that the letter of authorization would be forthcoming.

Elaine said she does not have a problem adding the Virginia Slims Ultra and B & H Lights Box. However, she said she would have to check with Chick Ailling, Merchandising Manager.

Brookshire Brothers  
Lufkin, Texas

Buddy Colmer  
V. P. Merchandising

S.A.M. Steve Wilkinson and I called on this account in order to present the Series 2000 with additional seventh shelf added which would substantially increase dollars available and allow for more space on the fixture for R. J. Reynolds. Buddy was interested in the increased dollars annually versus R. J. Reynolds 17' department but is not willing to make the changes that we had hoped for. He has agreed to allow up to place the Series 2000 in his new Kirbyville store which is under construction. He also asked about the possibility of getting the electronic message center without the Series 2000. We informed him that this is not possible at this time.

S.A.M. Steve Wilkinson's Key Account Contacts

In addition to the above contacts, S.A.M. Steve Wilkinson made the following calls:

7-Eleven  
Houston, Texas

Art Molliver  
Buyer/Merchandiser

The purpose of this call was to follow up on value carton merchandiser and F. V. B.

Art presented another proposal regarding merchandising the value brands. He suggested using the gondola where he is currently merchandising loose tobacco products. This would

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be in line behind the soft drink end cap, across from the current carton merchandiser. Art is having his people mock up a sales counter and this store will be visited to see it in person.

Art committed verbally to adding all eight packings of F.V.B. if we can get something rolling on the carton merchandiser.

The BV is still being considered. Whether it can be incorporated with this new program or on the sales counter, it is apparent that they want the pack program.

7-Eleven Lone Star  
Austin, Texas

Darrell Neal  
Buyer/Merchandiser

The purpose of this call was to sell in Virginia Slims Ultra Lights and B & H Lights Box and advise Darrell on the details of the F.V.B. program.

Darrell accepted both Virginia Slims Ultra Lights and B & H Lights Box, subject to re-plan-o-gramming of the carton fixture. He also accepted the two-for-one displays for both brands.

He seemed extremely interested in the F.V.B. program, especially the merchandising program. He seemed to be leaning toward merchandising on the recommended P.O.G. for the current carton rack. It appears that we would get a pack merchandiser (BV) out of it for Cambridge as well as F.V.B. products. He requested some time to consider the program, but it looks favorable.

Grocers Supply  
Houston, Texas

Dorothy Husain  
Buyer

Presented Virginia Slims Ultra Lights and B & H Lights Box. Virginia Slims Ultra Lights were accepted, but B & H Lights Box is pending.

McLane Southwest  
Temple, Texas

Dave Meer  
V.P. Purchasing

Presented Virginia Slims Ultra Lights and B & H Box Lights. Both brands were accepted. He would not allow an allocation order to be placed and wants letters of authorizations for force outs before he will order product.

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Safeway  
Houston, Texas

Ron Kieltka  
Buyer/Merchandiser

Presented Virginia Slims Ultra Lights and B & H Lights Box and followed up on Cambridge.

Ron accepted Virginia Slims Ultra Lights but wants to wait on B & H Lights Box. He is not convinced that they will move.

Cambridge Full Flavor has not been accepted and the prospects do not seem favorable at this time. The past performance of Cambridge has not helped. They look for brands that will turn quickly. He has dropped Doral Full Flavor King Size.

#### X. MERCHANDISING PROGRAMS

##### Plan A

Chains: Area Managers are just beginning to make Plan A presentations now that the new brand sell-in has been completed. MPA Joe Reed has run row gap reports for Area Managers and S.A.M.'s. Section objective is to reduce row gaps on new Plan A contracts to zero. We anticipate only two small chains will resist primary shelf for Philip Morris. No chain accounts have been signed at this time.

Independents: With Cambridge introduction now completed, Sales Reps are presenting new Plan A. Row gap analysis was provided to all Division Managers and Sales Reps for use in presentations. Results to date are:

New Plan A's signed	19
Average rows	84
New Plan AL's signed	6
Average rows	53
New Plan AM's signed	7
New Plan AV's signed	6

##### Plan B

SPACE Customer Trak reports are helping Area Managers and S.A.M.'s to reduce non-compliance in chain accounts on B and M displays. These reports are generating lost revenue reports to chain merchandisers that reveal impressive figures.

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Cambridge is just beginning to show movement in these trade classes that have permanent displays. Usually, this brand does not sell in convenience stores. We need to put it back on these displays as soon as possible.

#### M.I.S.T.

This program made a definite impact in three major areas for Marlboro. These were to build inventories, reduce out of stocks and gain additional visibility. These gains were all achieved very successfully. We were provided with increased P.O.S. supplies to gain the visibility and we were able to get additional rows for the Marlboro family that are now permanent inventory.

At this time, I feel we should discontinue M.I.S.T. and concentrate on our six new brands. However, we should consider resuming this again early next year. We will still put emphasis on the Marlboro franchise.

#### Vending Programs

Number of accounts on Plan D	109
Number of machines	13,484
Number of accounts on DataVend	49
Number of machines	4,295
Ride With Placements to date	288
R. D. A. Placements to date	0

#### Philip Morris Fixturing

##### Overheads

Our gain this year has been 583. We continue at a rapid pace to place overheads. We average 84 per month being installed. Even though R. J. Reynolds has implemented their new adjustable model, we get most of the placements. On several occasions, R. J. Reynolds has replaced our racks and the retailer has called wanting our racks back. R. J. Reynolds' is too heavy and wobbles unsafely in the air. Six and eight foot low profiles have been ordered into our combo warehouses.

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Series 2000

We have two demonstrations scheduled to be set up in hotel rooms for buyers and merchandising managers to see. Kroger and Stanleys are going to be shown these demonstration fixtures and presented the dual rack (R. J. Reynolds and Philip Morris) combo system. Other pending chains that have been presented are:

M System, San Angelo, Texas	16 stores
Handy Andy, San Antonio, Texas	21 stores
Model Markets, Corpus Christi, Texas	6 stores

We have seven Series 2000 on location at this time.

Marlboro Sampling Program

The program has been completed. Results were excellent. Good consumer contacts were made. We employed a very good group of samplers for this program. We were a little short on our sample rate per hour but quality sampling was up. An in-depth report will follow on the entire program.

VI. SECTION ACTIVITIES

All sales levels are concentrating on sell-in and pre-booking of Virginia Slims Ultra Lights. Wholesale and retail accounts alike are buying heavy inventories. This effort was intensified intentionally so out of stocks on initial roll out will be minimal.

SPACE Trek roll out has high interest in the Section. Plan A row gap will be our first priority in the coming months, both at management and retail levels.

Virginia Slims Sampling Program

Samplers hired and uniforms for the samplers have been ordered. All divisions but two in the Section will be participating in this program.

B & H Package Change

B & H radios and displays have arrived in the field for placement. Old B & H package design is still arriving from bonded warehouse. We will use displays and radios to clear out old style pack design.

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Permanent P.O.S.

Sales Reps are just starting to put out special logo ashtrays for Circle K stores. We had over 300 ashtrays special printed for Circle K Houston stores. We should be finished with the store sets in September on normal coverage.

Special B & H Store Sale Program

We have a three-month in-store B & H Hispanic store sale program scheduled for October, November and December. Sales Reps are inventorying stores now to track sales. The purpose is to check current sales against inventory. Then we will know how much extra product to order in for the caps and T shirt give-aways. The store sales are a "foot in the door" with Fiesta stores.

VII. SALES SERVICESSystems

Division Managers were not able to cover reporting instructions for this sales cycle at division meetings. Reason was the instructions were not mailed out on time. Because of this problem, some territories did not get instructions at the beginning of P.P.P. coverage.

ICR error rates are hard to determine. Cycle seven, week five edit report is inaccurate. Richmond mistakenly credited Sales Reps with errors for verifying distribution in alternate territories. Consequently, every call that Sales Reps made in alternate territories shows up as an error.

I am confident that once Sales Reps become more familiar with the new ICR's and the programming bugs have been worked out, we will have less than a 10% error rate.

Q.A.R./T.R.A.C.

There is much confusion and uncertainty concerning the interpretation and reliability of these tools. In general, we are unable to use these systems for the purpose they were intended.

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Division Managers feel there is a real need for a seminar teaching them how to interpret these reports and how to relate them to Performance Appraisals.

#### Sales Development

Call book binders and call summary binders have not arrived. We could use these.

#### Call Summary

We continue to work with Reps in the use of the new call summary. Minor adjustments have been made in reporting gratis and display payments with Reps and it appears they are comfortable with this new summary. We will continue to work with this new form until everyone is reporting in the same manner.

#### Fleet

In order for our security system to give us better protection, there is a need for the alarm system to be installed not only on the front doors, but also on the side and back of the mini vans.

The fleet department responded rapidly on new car for S.A.M. Pat Reynolds. We also had a problem with a "lemon" van located in East Texas. The fleet department also gave us a replacement quickly to eliminate down time for the Sales Rep. All this attention is sincerely appreciated.

#### Materials Distribution

Delivery of the electronic message centers has slowed. Originally, we received these P.O.S. items within three days of order. Now, they are taking three to four weeks.

In general, we may have to increase combo warehouse inventories of overheads, pack racks and carton racks due to slower deliveries. SRO's report delivery time on most items of fixturing is now two to three weeks from the time an order is placed.

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VIII. SALES DEVELOPMENT

The planning desk hardware arrived in the Section office on July 20, 1987. The equipment was promptly installed by M.P.A. Joe Reed. Due to link-up problems with Arbiter, the system was not operational until August 18, 1987 which was almost a month later. We lost valuable time in accessing data and PUF menu services. We still are having a lot of system problems and have a need for immediate resolving of these problems.

IX. MEDIA

We are in the second month of Cambridge Full Flavor introduction and no media support as of this date.

X. ASSOCIATIONS AND CONVENTIONSTexas Package Stores Association Convention

This convention was held at the Hyatt Regency in Houston, Texas, July 25 - 28. There were approximately 2500 in attendance. We had a booth from which we sampled our products and presented our overhead racks and other merchandising programs such as B displays, clocks, CB's, etc.

Kroger Food Show, Houston, Texas

Plans have been finalized to attend the Kroger Food Show in Houston from September 21 to September 23.

Randalls Food Fest, Houston, Texas

Plans are being made to attend the Randalls Food Fest, Houston, Texas, October 23-25, 1987.

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## I. MARKETING CONDITIONS

### **Test Brands**

#### Marlboro Lights Menthol Test

Pre-book activities report in excess of 40,000 cartons sold in at retail level. Recent store audits found 75% product availability and visibility after 3 weeks at retail. Supplemental display programs were also reported to be selling out within 2 to 3 days of display placement. Consumer feedback indicates sales being gained from Kool, Salem and Newport packings.

The Marlboro Lights Menthol 100's is initially the strongest packing to date. Follow up efforts continue to insure large chain stores are receiving product from major distributors and distribution centers. This will increase distribution further.

### **New Introductions**

#### Virginia Slims Ultra Lights 100's

Distributor response has been positive with all major distributors accepting in excess of allocations. In conjunction with this, Sales Reps pre-booking has met with good success at the retail level.

Major chain acceptances continue to be gained with many requesting automatic distribution to stores.

#### Benson and Hedges 100's Lights Box

Presentations to major distributors and large chains have begun with initial success reported. These presentations follow the above mentioned introductions and test with more results forthcoming in our next report.

#### Cambridge Full-Flavor

Both distribution and inventory continues to show improvement. Much of this is attributed to aggressive sell-in efforts and consistent on-carton couponing. Currently, we are redistributing existing coupons to alleviate shortage due to Carlstadt out-of-stock. The greatest impact will be on the Incentive Merchandisers who use large quantities.

Cambridge 30 carton bin usage indicates good trade response to this promotion.

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### Generics/Price Value Products

Some consideration should be given to having personnel pick up Players 20's (Black packing) where its inventory is heavy and sales are nonexistent; particularly when Players 25's distribution is in the same store. This would accomplish two things.

1. Eliminate ongoing confusion between both packings at retail, and
2. Reinforce inventories of Players 25's which has larger sales.

This would also afford us an opportunity to increase the number of value centers since merchandising the Players 25's thereon avoids loss of physical rows on the carton fixture.

### Famous Value Brands

7-Eleven, Midwest Division, St. Louis, MO is currently reviewing an FVB proposal presented by our S.A.M. and reinforced by Region Sales Manager Gerry Choyke. This proposal includes provisions for PM Value Centers. Initial response was positive. Zone Managers must now provide input prior to a formal decision.

## II. COMPETITIVE ACTIVITY

### American

Pall Mall Filter 85's/100's being introduced at the distributor level. Special introductory allowance of \$45.00 per 12/m case through August 28. Consumer incentive is a \$2.00 instant coupon attached to cartons. This activity exists in Arkansas, Tennessee and Missouri to date.

#### Permanent Counter Displays

Malibu, Carlton and Lucky Lights

#### Temporary Displays-Set/Sells

Carlton, 10 pack, no payment.  
Pall Mall Filter, 20 pack, \$1.00 payment.

#### Manpower/Marketing Conditions

New Sales Rep in Pine Bluff, AR.  
In Kroger Stores, Delta Division, Memphis, TN large number of Malibu racks spotted in addition to having 7 rows on Doral fixture.

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**Brown and Williamson**

Reliable information indicates Brown and Williamson will be relocating its Region/Section offices from Chicago, IL to St. Louis, MO in the next few months. Location unknown.

Retail activity shows couponing on Kool and Viceroy with \$2.00 on carton. Falcon continues to gain in distribution.

Permanent Counter Displays

Kool, Kool Lights, Richland and Viceroy.

Temporary Displays-Set/Sells

Kool Mild Box, 40 to 80 unit display with 2/1's. Also 40 unit, 2 with lighter for Richland, payment is \$2.00 with reported sales fair.

Floor Bins/Carton Racks

Kool Family carton display with \$2.00 on-carton coupon. Payment is \$10.00.

Manpower and Marketing Conditions

One part-timer hired primarily to coupon product and service fixtures containing Falcon product.

Kool Jazz Festival was held in Forest Park, St. Louis, MO with approximately 10,000 attendees. Also, Memphis, TN Liberty Land hosted the Kool City Jam August 23.

Currently test marketing a new 25 Slim cigarette called Kim. This is available only in 100 millimeter in Regular and Menthol flavors. On-carton coupons, (\$2.00) and 2/1 displays are being used to support this brand.

Couponing

Richland pack, (75¢) and carton, (\$1.50) coupons prevalent at retail. Both coupons automatically enters consumers in a sweepstake. The grand prize is a Winnebago, plus \$1,000. Additional prizes include deluxe camping packages, Polaroid cameras, Rand McNally Atlas and vacation guides.

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**Liggett & Myers**

A new generic cigarette, Rainbow Lights is being distributed in Arkansas and Missouri and is available in 4 packings, Kings and 100's, Regular and Menthol.

Sales Reps are pre-booking "Quality Seal" and "Total" at retail offering 25¢ per carton to retailer on each order with a follow up of \$1.00 stickers upon arrival of product. At that time, account will be paid in cash for each sticker attached. Response to date is moderate. All popular brand products are receiving \$2.00 on-carton stickers.

Permanent Counter Displays

Eve 100's and 120's.

Temporary Displays-Set/Sells

Frontier generic, 30 pack set/sell.

Coupons

\$1.00 instant coupon for Total generic brand, all packings. \$2.00 coupon for Eve 120's.

**Lorillard**

Reliable sources indicate a new packing, **Harley Davidson** will be launched as a test brand. The color will be black with gold stripes.

In addition, Newport Slims Lights 100's Box will also be introduced. Date and location still undetermined for both these developments at this time. More to follow upon receipt.

Permanent Counter Displays

True, Newport, Kent  
In Memphis, TN efforts underway to get 100% display compliance regardless of competitive display positions.

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Temporary Displays-Set/Sells

30 unit, 2 with lighter on behalf of True/Old Gold/Newport. Payment \$1.50. Consumer response moderate.

40 unit display offers 4 AA batteries with two pack purchase of True. Display payment \$2.00.

Coupons

\$2.00 coupons on-carton for Kent, True, all packings.

**R. J. Reynolds**

Currently offering 150% of PM's System 2000 payment, approximately \$540 (120 rows) to insure against retailers accepting our fixturing. To date, this has met with no success.

Magna Soft and Box, Full-Flavor 85's are being pre-booked in the St. Louis, MO area. This is no doubt an extension of the test market.

Permanent Counter Displays

Winston Lights Box, Winston Red Box, Vantage

Temporary Displays-Set/Sells

Winston Lights Box, 40 unit, 2/1, \$3.00 payment.

Floor Bins/Carton Racks

Nothing new to report.

Coupons

All major brands couponed with \$2.00 on-carton. In Memphis, TN a slowdown in couponing of Doral (\$1.00 on-carton) attributed to local Rep having used up entire allocation of such coupons and was uncertain when more would be available.

Manpower

New part-timer hired in Russellville, AR to work generic fixtures, counter displays and affix coupons.

Sales Rep in Cedar Hill/Sullivan, MO discharged for not couponing or paying on product load-in.

2043945109

### III. TRADE CLASSES

#### **Distributors/Wholesale Grocer**

P. A. Clayton, Memphis, TN has authorized Cambridge couponing as well as Players Lights 25's at their warehouse. Our part-time merchandiser will now be able to attach coupons at this location.

Our Count/Recount on Cambridge Full-Flavor has been completed with good success noted in accounts' shipments to retail above allocation.

All major distributors to date have responded favorably to our Virginia Slims Ultra Lights introduction. No major refusals.

#### **Supermarkets**

Presentations for our revised Plan A are pending at many of our major chains. However, we have been successful in increasing availability and visibility with some signings. Currently, we are averaging 7.0 rows gained on re-signings.

Both Town & Country, Hardy, AR (18 locations), and Green Enterprises, Jonesboro, AR, (16 stores) have accepted our Marlboro Shopping Baskets.

Safeway, Little Rock, AR was presented a revised Plan A and price value proposal with decision pending.

#### **Gas/Gas Convenience**

Jackpot Stores, Little Rock, AR accepted BV's and made an automatic distribution on Cambridge for all 10 locations.

7-Eleven, Memphis, TN has begun installation of the new carton fixtures with security doors having computerized voice recording of "thank you for shopping 7-Eleven," when opened.

Circle K, Memphis, TN are now receiving our special 4 shelf fixtures. Sales Reps are currently setting fixtures to P.O.G. as units arrive in store.

Clark Oil, St. Louis, MO recently signed a revised Plan A contract for a PM net gain in excess of 1,000 rows. In addition, value center acceptance increased to 78, 67% penetration.

2043945110

**Mass Merchandisers**

Wal-Mart Stores, Bentonville, AR recently purchased 27 acres in Ferguson, MO for the construction of its first "Hyper-Mart U.S.A." store. This will be the third such store nationwide with scheduled opening set for March, 1988. The dimension is approximately 225,000 square feet. The first two will be operational in Dallas, TX and Topeka, KS this fall.

**Vending**

Memphis Vending, Memphis, TN accepted 50 ACMR's to upgrade their machines.

Jack's Vending and Hub City Vendors both of Jackson, TN have been signed to R.D.A. agreements. Additional placements of 120 columns is anticipated.

**IV. SSM KEY ACCOUNT/MANAGEMENT ACCOUNT CONTACT**AccountContact

Wal-Mart Stores, Inc.  
Bentonville, AR

Harriet Campbell,  
Buyer

On August 4, accompanied Senior Account Manager on call contact. Objectives for call - introduction of S.A.M. as individual assuming responsibilities for call; new brand introductions, Marlboro Lights Menthol, Virginia Slims Ultra Lights 100's and B&H Lights Box; follow up revised Plan A contract and authorization of Cambridge Full-Flavor. Decisions on all programs still pending.

AccountContact

Sam's Wholesale Club  
Bentonville, AR

Karolyn Cowherd,  
Buyer

On August 4, accompanied Senior Account Manager on call contact. Objectives for call - S.A.M. introductory; new brand introductions, Marlboro Lights Menthol, Virginia Slims Ultra Lights and B&H Lights Box. Decision pending.

2043945111

AccountContact

Safeway Stores  
Little Rock, AR

Cindy Holleman, Buyer  
Bob Binz, Grocery  
Merchandiser

On August 11, accompanied Senior Account Manager on call contact. Objectives for call - S.A.M. introductory; presentation of revised Plan A contract and a review of the generic/price value category and Cambridge growth. Decision pending on revisions to current carton fixture P.O.G.'s. In conjunction with this call, accompanied by S.A.M. contacted the warehouse for this chain. Introductory made to Operations Manager Tommy Tate.

IV. S.A.M. KEY ACCOUNT CONTACT - JOE PATE - 54-41-00AccountContact

Kroger Stores  
Memphis, TN

Lester Sissons  
Cigarette Buyer

Contacted on August 12, with objectives being new brand sell-in, Cambridge Full-Flavor, Virginia Slims Ultra Lights.

AccountContact

Kroger Stores  
Memphis, TN

Bud Limbacher,  
Grocery Merchandiser

Contacted on August 13, with objectives being to complete second quarter invoicing and follow up on revised Plan A/carton fixture P.O.G.'s.

AccountContact

Samelson-Leon Company  
Memphis, TN

Tony Galler,  
General Manager

Contacted on August 18 for purpose of new brand sell-in, B&H Lights Box.

AccountContact

Fred's Discount Stores  
Memphis, TN

Tommy Pate,  
Buyer

Contacted on August 18 with objectives being to complete sell-in on Marlboro Shopping Baskets and Virginia Slims Ultra Lights 100's.

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AccountContact

7-Eleven, Midwest Division  
St. Louis, MO

Bob Hoffman,  
Buyer

Contacted on August 17 and 19 with objectives being to complete follow up on Marlboro Lights Menthol; Virginia Slims Ultra Lights sell-in; presentation of AAFVB; sell-in of Plan AV.

AccountContact

National Supermarkets  
St. Louis, MO

Jerry Holway,  
Buyer

Contacted on August 24 to complete follow up on Marlboro Lights Menthol sell-in.

AccountContact

Martin & Bayley  
Carmi, IL

Roger Price,  
Vice President

Contacted on August 25 to complete follow up on Marlboro Lights Menthol and sell-in of Virginia Slims Ultra Lights 100's.

**IV. S.A.M. KEY ACCOUNT CONTACT - ROBERT PANHORST - 54-42-00**

AccountContact

Sam's Wholesale Club  
Bentonville, AR

Karolyn Cowherd,  
Buyer

Contacted on August 4 to present new brand introductorys, Marlboro Lights Menthol, Virginia Slims Ultra Lights 100's and B&H Lights Box; midyear Business Review.

AccountContact

Wal-Mart Stores, Inc.  
Bentonville, AR

Harriet Campbell,  
Buyer

Contacted on August 4 to complete follow up on revised Plan A contract; Cambridge Full-Flavor authorization; new brand introductory Marlboro Lights Menthol, Virginia Slims Ultra Lights 100's, B&H Lights Box.

2043945113

AccountContact

Safeway Stores/Warehouse  
Little Rock, AR

Bob Benz,  
Grocery Merchandiser

Contacted on August 11 to present to Mr. Benz and buyer for Operation our revised Plan A contract; complete invoicing for second quarter and discuss merchandising of the generic/price value cigarettes.

AccountContact

Merchants Wholesale  
St. Louis, MO

Gil Dolgin,  
President

Contacted on August 14 to complete sell-in of the Virginia Slims Ultra Lights 100's; follow up on distribution of Marlboro Lights Menthol to chains where authorized.

AccountContact

Marcus Distributing  
St. Louis, MO

Tony Karakus,  
Vice President

Contacted on August 14 to complete sell-in of Virginia Slims Ultra Lights 100's, B&H Lights Box; follow up Marlboro Lights Menthol reference distribution to chains where authorized.

AccountContact

Clark Oil Company  
St. Louis, MO

Ken Klingerman,  
Merchandiser

Contacted on August 17 to complete sell-in of Virginia Slims Ultra Lights 100's, B&H Lights Box; signing of revised Plan A contract.

AccountContact

Schnucks Supermarket  
Bridgeton, MO

Cindy Parentin,  
Category Manager

Contacted on August 18 to complete sell-in on Virginia Slims Ultra Lights 100's and B&H Lights Box; positioned presentation of revised Plan A contract to buyer and grocery merchandiser on next scheduled appointment.

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IV. MPA KEY ACCOUNT/MANAGEMENT ACCOUNT CONTACTAccountContact

Marcus Distributing  
Bridgeton, MO

Tony Karakus,  
Vice President

Accompanied S.A.M. to introduce Virginia Slims Ultra Lights and follow up on Marlboro Menthol Lights. Product introduction was accepted and commitment gained for timely delivery of pre-booked Marlboro Menthol Lights.

AccountContact

Merchants/Dolgins  
St. Louis, MO

Gil Dolgin,  
President

Purpose of our contact was Virginia Slims Ultra Lights introduction. Product was accepted at full allocation, (42 cases).

V. MERCHANDISING PROGRAM**Plan A**

Plan A re-signings currently average 12 new PM rows per revision. While total re-signed stores are less than 10% of our current Plan A's, we anticipate ever increasing activity in this area next period.

Plan A compliance average 96% of Plan A's audited at retail.

**Compact/Impact (CI)**

All Compact/Impact contracts are being re-signed to Plan A's. Some difficulty has been encountered where the large number of rows formerly signed as percentage result in some loss of payment on a Plan A. Additional 7 wide and 4 wide units are being used to restore compensation level while netting PM increased rows.

**Plan A-1**

Recent Plan A-1's, (Merit Seacoaster, Marlboro Sports Gear), have meet with enthusiastic trade response. This is evidenced by our high placement rate.

2043945113

It is significant to note that we elected to take delivery of our full Marlboro Sports Gear allocation despite NYO suggestion that our quantity, 223 (30/90/120/240 units) not be shipped. We saw this as an opportunity to reinforce Marlboro Lights Menthol test market inventories pre-booked and sold in at retail. Our A-1 complimented all efforts and placements to date is 82% of allocation.

#### **AG/AV**

Total AG/AV units increased 4% over last period as advantage is taken of opportunities to make placements, gain availability for value products and extend our Plan A inventories.

#### **Plan AM**

Applicable accounts have been identified for presenting this new merchandising vehicle with additional signings to follow.

#### **Plan B/Maxi**

Plan B increases are mainly in the Maxi group. This has contributed significantly to the overall increase in B Series. At the same time, the decline in Plan B-2's can be attributed to upgrading to B-3's/B-4's/M's.

#### **Plan BV/BG**

An increase of 100 units occurred largely among BV units. This affords us the opportunity to increase the number of available merchandising vehicles for our value products.

#### **Vending**

No significant changes in our share of machine, (S.O.M. 26%). The number of locations continue to decline yet our number of qualifying locations remains steady at 89%.

DataVend penetration is also stable with respect to percent of total locations. However, the number of locations have declined while we experienced an increase in the number of qualifying locations.

No R.D.A. activity this period with year-to-date placements at 713 columns.

2043945116

**PM Units/Overheads**

Approximately 56 additional overheads gained this period as part of over 300 new installations this period. More increases expected.

**PM Units/Carton Fixtures**

We experienced a 12% increase in carton fixture placements many of which were incorporated as a part of revised Plan A proposals.

**PM Series 2000**

Two additional commitments were gained this period. Piggly Wiggly, Hot Springs, AR (13 stores), agreed to a test in one store. In an unrelated development, Piggly Wiggly, Camden, AR, an independent, accepted our System 2000. In both instances, we hope to gain an average +40 rows.

**Special Merchandising Programs**

Our Marlboro 2 with lighter promotion was a success as indicated by our plus 93% usage. Similar success is being enjoyed with both Cambridge 2 for 1 and our Benson & Hedges 2 with lighter. No significant difficulties encountered with implementation despite handling simultaneously Marlboro Lights Menthol special promos and Cambridge supplemental displays.

**VI. SECTION ACTIVITIES**

Territory coverages averaged 77% for July. This was anticipated as test market activities commenced. Nevertheless, coverage of Plan B accounts was over 90% and very few 32 point calls went without contact.

Both Section 54 S.A.M.'s and our M.P.A. attended the Aspen, CO S.A.M. Seminar. Their feedback indicates enthusiasm for the consultative approach and the accompanying analytical tools.

**Sampling Activity**

Efforts were made to sample around the Graceland Mansion in Memphis, TN in order to take advantage of existing opportunities during the 10th anniversary celebrations. However, city officials were very strict in enforcing order and restricted any supplemental activity during these celebrations including sampling.

2043945117

**Marlboro Summer Sampling Program**

Feedback indicates we have been effective in sampling key community events as well as reaching densely populated areas. All allocated samplers continue in this program.

**Marlboro Lights Menthol**

With the exception of sampling bags which arrived weeks after this program began, all allocated materials and samples arrived on time and in sufficient quantities. All samplers remain employed and are being effective in implementing this program.

Federal Distributors' representative met with SSM, DM's and Section SRO prior to the beginning of mass sampling activity in St. Louis, MO. We were able to suggest strategic events and locations for inclusion in this effort. This sampling activity continued into a second week before all supplies were exhausted.

**Benson & Hedges Inner City Sampling Program**

Allocated samplers were hired and effective penetration of inner city areas were gained to build awareness and exposure for this brand. This is a strong brand family in the St. Louis, MO market.

**P.O.S. - Temporary/Permanent**

Our instances of temporary P.O.S. placements increased largely due to aggressive activity and escalated calls this period.

Permanent placements also experienced increases. Both with respect to penetration as well as instances. We have yet to determine the cause for, or absence of 72 spinners on printouts.

**Items Over/Underproduced**

Items received this period were consistent with needs and our ability to place.

**VII. SALES SERVICE**

S.P.A.C.E. reports (R.A.S.) show no spinners since the inception of the new I.C.R./F.S.R. We are concerned for the absence of 72 spinners.

2043945118

No doubt Sales Reps are growing increasingly familiar with the revised I.C.R. Our I.C.R. edits have shown consistent decline since the first week of use. We hope to be within normal edit ranges in a short time.

#### VIII. SALES DEVELOPMENT

Selected presentation materials for new brands' introductions have been attractive, distinct and informative. Some difficulty exists with respect to receiving all materials at the same time.

#### IX. MEDIA DEVELOPMENT

Actmedia continues to display quality PM advertising with consistent rotation between different brands. It is hoped this activity will include more shopping carts in the future.

Aisle-Vision is still maintaining excellent signage in Kroger stores throughout southern Illinois.

#### X. ASSOCIATION AND CONVENTIONS

No developments this period.

#### TAP/TAN

No developments in this category.

#### LEGISLATIVE ACTIVITY

We were successful in meeting with Representative Beryl Anthony, Jr. on August 17, 1987 as part of our Jacob Albright implementation. Representative Anthony was a keen listener to our position and indicated his perception that the proposed increase may amount to no more than 8¢ per pack. Our legislative report has been communicated to Public Affairs, NYO.

#### XI. SSM Miscellaneous Comments

No comments this period.

2043945119

**REGION 6**

**2043945120**

## I. MARKETING CONDITIONS

### Cambridge

The introduction of Cambridge Full Flavor continues to be very successful. With the exceptions of Safeway and Consumers, who have not accepted because of competition with their private label brands, acceptance has been 100%. The Full Flavor introduction is carrying over with the other Cambridge packings and is helping us gain distribution and/or better inventory on the entire family. There have been some reports from rural areas that Cambridge is selling so well they are carrying it as their only generic priced product. Sales on all packings are continuing to grow very steadily.

The BlG1F was extremely successful in gaining trial, and both the \$1 and \$2 coupons have helped stimulate immediate carton sales. As yet, we don't have a reading on the success of the 25¢ per pack offer, but it should also be received well.

In all areas RJR has begun cutting back on couponing of Doral. Some RJR SR's still have \$1 coupons while others have either begun using 50¢ coupons or have run out of coupons. Where the 50¢ coupons are being used or Doral is not being couponed, Cambridge sales are increasing tremendously. I recommend that we continue to coupon Cambridge through the remainder of the year if possible as I think we will be able to gain a real competitive edge over Doral and firmly establish Cambridge as the number one generic priced cigarette in our area.

Actions by 2 of our accounts will affect distribution and sales of Cambridge. K-Mart stores have been notified that they will be receiving Austin, RJR's branded generic and will now carry only Doral and Austin. In addition, Target has dropped all generic priced product.

As yet, we have not received any carton or package rack labels for Cambridge Full Flavor.

### Players Lts. 25's

Sales in carton outlets have improved a great deal because of our couponing activity. If we wish to try to reestablish Players Lts. 25's, I believe we will have to continue this couponing for an extended period of time. Even with the couponing activity, sales are marginal in many accounts. Wetterau dropped the 2 Menthol packings this month, and Safeway, K.C. is considering dropping the 2 Regulars.

### Virginia Slims U/L

Although we have a few major accounts which are pending, acceptance at wholesale has been 100%. Prebooking efforts by AM's and SR's have been excellent, and we are positioned extremely well to begin our retail introduction.

AWG, Springfield, MO originally refused VS U/L because they asked for payment of a slot allowance. After several follow-up

presentations by AM Tex Jordan, they did accept but said they would continue to ask for a slot allowance in the future.

SAM Lopez arranged through NY for extra 2 for 1 displays to be sent to Casey's General Stores for their 400 corporate stores. These will be assembled and shipped automatically from their warehouse.

#### B&H Lts. Box

Wholesale acceptance has been excellent to date. Of all major accounts presented, only Boogaart's has refused, and they will be re-presented this month. The 35mm camera trade gift is helping a great deal with this introduction. As yet we have not received any B&H sell sheets.

#### Marlboro Lts. Menthol

In conjunction with the St. Louis test market, this product was sold to AWG and Ozark Grocer, Springfield, MO.

#### Best Buy/AAV

Nothing to report this period.

#### Business Conditions

Nothing to report this period.

#### Tax and Regulatory Developments

Excelsior Springs, MO increased their city cigarette tax from 5¢ to 10¢ effective September 1. This tax was voted on during July and was passed by a 789 to 567 vote. The extra revenue will be used to build a new police station which was scheduled to be built with \$160,000 of revenue sharing which was recently lost.

Overland Park, KS is considering an ordinance to ban smoking in all public places. A two hour hearing was held to discuss this, and the council tabled the issue for further study. Also being discussed are future restrictions on smoking in the workplace and in restaurants. Another hearing is to be held sometime this fall, and I will be working with Pat Wilson and The Tobacco Institute to oppose this.

### II. MAJOR COMPETITIVE DEVELOPMENTS

#### American

Continue to work Malibu. Distribution and inventory are excellent, and although sales are spotty, good movement is being reported in some accounts. They continue to offer \$3 off per carton and 30¢ off per pack.

Introducing Pall Mall Red Filter King and 100's in all markets. Offering unlimited allocation from 8-10 to 8-28, and all product is to have \$2 coupons placed on cartons at the factory.

2043945122



Several reports of SR's picking up Carlton Slims at retail but don't know if it is being discontinued or not.

#### Brown and Williamson

Primary emphasis continues to be on Falcon Lts. Now have both 10¢ and 25¢ off per pack and \$1 and \$2 off per carton. Despite heavy promotion, sales are poor.

Also offering \$2 off per carton on Kool and BlG1F on Richland.

Continuing to present new counter display in conjunction with Lorillard. Only success to date has been in Pester Derby where they were able to place their combination display.

#### Liggett Group

Nothing to report.

#### P. Lorillard

Continue to promote new True Silver packings with BlG1F and 2 packs with lighter. They are not picking up True Blue and Green at this time but are trying to move them out with \$2 coupons.

Also have BlG1F on Newport.

#### R. J. Reynolds

Continue to introduce Magna as a test in K.C. market. As opposed to other areas of the country, it is being tested here as a full price branded product. Only activity to date has been BlG1F. Sales appear to be minimal at this point.

Although some accounts still have \$1 off per carton coupons, RJR is moving to 50¢ off per carton coupons on Doral in all markets.

Now placing 60 to 120 carton floor displays featuring \$2 off per carton of Winston, Salem and Camel paying retailers 20¢ per carton.

Continuing to introduce Winston Lts. Box with BlG1F. Sales have been excellent overall. Also have BlG1F in NE with new Salem package change test.

#### Generics

New "Class A" generic cigarettes (Liggett) noted in Phillips 66 in K.C. Comes in 8 packings -- Full Flavor, Lights., U/L and Menthol.

Liggett continues to actively promote new Rainbow generics in Fleming. Have BlG1F, \$1 off per carton and are offering 35mm cameras to store managers for ordering product.

### III. TRADE CLASSES

Section 54 has advised us that Wetterau's buying offices are being moved from Mexico, MO to K.C. This account will be assigned to

SAM Lopez, and we will be contacting the buyer here as soon as possible. At this time, the old Milgram warehouse which is still owned by Wetterau is not being reopened. However, it appears this move could be related to the reported sale of Safeway and a possible reopening of the warehouse here.

Fleming has announced that they will close their Wichita warehouse this fall eliminating 200 jobs. The Topeka warehouse is being expanded and reportedly those stores formerly buying from Wichita will be serviced from Topeka.

The new Hypermart in Topeka will open this fall. This is a 220,000 square foot Walmart store which will include 52,000 square feet for groceries. Although 2 other stores are being opened in conjunction with Cullum, this is the first Hypermart solely owned by Walmart.

Fleming has announced plans to open 4 more Checkers stores, 2 in Wichita, 1 in Topeka and 1 to be announced. This is Fleming's prototype warehouse store modeled after the one recently opened in Lawrence, KS.

Jim Oyler has applied for direct buying status. He is a Shawnee Indian and his home and proposed store are on the Shawnee reservation 10 miles west of the K.C. metro area. If he receives all necessary approvals, he has the potential to move a tremendous amount of cigarettes.

#### IV. SSM KEY ACCOUNT CONTACTS

I discussed general business conditions with Jim Flannery and Larry Spangler of Joplin Tobacco. Best Buy is selling exceptionally well in this CareMark house, and Jim was very complimentary of our two local SR's work with them on promotions and fixtures.

I discussed our recent OPM placements in 7-11 Mako stores with Linda Duncan. She is very happy with them, and this not only bodes well for our plans to place additional stores but can help lead to other breakthroughs.

I accompanied SHA Bergmann and AM Bauer on a System 2000 presentation to Pete Hall (VP) and Bob Lemons, Jr. (Buyer/Merchandiser) with Bob's IGA. No decision was gained at this meeting, but I believe we are positioned well to gain System 2000 and/or package fixture placements in the near future.

#### V. MERCHANDISING PROGRAMS

All of the System 2000 carton and package racks have been installed in all 36 Consumers stores. They look great, Consumers is very happy and our people are very proud.

System 2000 carton and package fixtures were installed in all 7 Harry's IGA stores in Topeka, KS. This is an account where we had had CMSII previously, lost these to RJR Flex and regained them. Harry's is a high volume chain and very influential in the Topeka area.

2043945124

System 2000 carton and package racks were installed in 2 more Smitty's stores in Springfield, MO. Smitty's has some of the highest volume stores in the section and is a market leader in the Springfield area.

Bob's IGA decided against System 2000 because there was little payment difference and because RJR stressed their long relationship with the owner. We are following up, and I believe we will be able to place package fixtures in the near future. We also have signed several more high volume HyVee stores, some of them non-contracted, and we have either made presentations where results are pending or will be making presentations on System 2000 to 8 other high volume chains in the Section.

Falley's, Topeka, KS is testing one of our spinner fixtures and one of RJR's fixtures. This account has always sold packages through store-owned vending machines and recently decided on self service pack merchandising as a result of a business review presentation which we made.

Both Casey's General Stores and Kwik Shop Plan B follow-up presentations are to be made this month.

The new low profile OPM has been received very positively. We have been able to gain placements in several accounts where we could otherwise have not done so. However, we still don't have any sell sheets.

The following new commitments were gained this month:

OPM: 7-11 CIC, Omaha, NE, 1 store test  
Denny Klepper, Wichita, KS, 14 stores

AM: Sinclair, Boone, IA, 6 stores  
Webster Oil, Springfield, MO, 3 stores  
Quality Markets, K.C., 1 store test

BV: Town & Country, Wichita, KS, 65 stores  
Texaco, O.P., KS, 10 stores  
Johnson's General Store, Wichita, KS, 13 stores

Dist: Nash Finch, Liberal, KS, Marlboro 100's Box intro

#### VI. SECTION ACTIVITIES

Most of our activity this month focused on placement of System 2000 carton and package fixtures in Consumers Markets and Harry's IGA as well as management sell-in and prebooking of VS U/L and B&H Lts. Box.

The new MPA Planning Desk has been set up and with the help of MPA Priddy, SAM Lopez and SHA Bergmann have been developing presentations for use with accounts. Although we have experienced some problems with the new reports, we have been able to overcome most of them, and the information and visuals are having dramatic impact on the effectiveness of our presentations. As we become more familiar with the system, I'm sure this will be even more apparent.

The management meeting for VS U/L and B&H Lts. Box was held this month, and plans are complete for the Section meeting where this will be covered in addition to our new SpaceTrek program. We are excited about the business we will be able to gain on these 2 packings and the extra availability and visibility we will be able to gain on Marlboro.

#### VII. SALES SERVICES

Recently headquarters jobbers received letters from Richmond to use Rodeway Truck Lines for returned goods. We were not copied on this and didn't know it until it was brought to our attention. If there is anything regarding this change we should know, I recommend that a follow-up letter be sent.

As yet we have received no new call summary binders. We also don't yet have sell sheets for low profile overheads and 6' maxi's.

In addition to not receiving any Cambridge Full Flavor carton or package rack labels, we continue to experience problems in receiving other labels. This has been an ongoing problem and will be compounded if not available for use when changing Plan A's in conjunction with our SpaceTrek program.

Reports are that POS materials are being received in a much more timely manner now. In the few instances where they are not, we are using the Delinquent Materials Reports which hopefully will correct any problems which may still exist.

#### VIII. SALES DEVELOPMENT

The new Marlboro Lighted Pricing Signs are excellent. We should be able to take advantage of many opportunities for placement.

I recommend that we be notified as far in advance as possible on BIGIF offers and package promotions. In some instances, we will be able to set up special promotions with major chains if we know in advance and can arrange for extra displays and/or product. A good example is Casey's General Stores where we either placed displays in all 400 corporate stores (shipped from their warehouse) or none at all.

#### IX. MEDIA

Nothing to report this period.

#### X. ASSOCIATIONS AND CONVENTIONS

SRO Van Goethen and SHA Clary presented the "Unconventional Conventional" at the Iowa Food Dealers Show on 8-3. Approximately 100 people attended, and the response was very positive. After observing the show, Phil and Grant recommended that we have a booth next year.

AM Matter attended the Kansas Food Dealers Trade Show on August 22 and 23.

2043945126

SSM MISCELLANEOUS COMMENTS

The luxury suite which we have with the K.C. Chiefs is excellent. All arrangements are first class, and we have been able to gain commitments from many of our most important accounts for attendance. From the response so far and the results at the first preseason game last week, I believe we will gain a great deal from this suite.

AM Hauschild arranged for a contest for the sales people at Karnett-Venger in Omaha, NE on VS U/L and B&H Lts. Box using several of our trade gifts as prizes. This is not only very effective but very creative.

2043945127

I. MARKETING CONDITIONSCAMBRIDGE FULL FLAVOR

The following are Area Manager accomplishments for the Cambridge Full Flavor sell in for this period: S.E.G. Stores (Salt Lake City, UT) accepted 20 cases of each packing with automatic shipment of 40 cartons to each store; 10 cartons were force shipped to all Dan's Foods (Salt Lake City, UT) stores; 30 cartons force shipped to all 8 Happy Service (Salt Lake City, UT) stores; Skaggs/Alpha Beta (Salt Lake City, UT) didn't accept the brand (they do not carry any Generic or price value packings but the brand can be purchased through local distributors.

Due to an error in the SPACE system, we do not know exactly where we stand with Cambridge Full Flavor distribution. We approximate 50% distribution on Cambridge Full Flavor in this Section. SRO Willis reports that levels of Cambridge Full Flavor are not adequate. This will be addressed at our upcoming Section meeting. Lack of carton rack labels continues to hamper our success in not only holding space for Cambridge Full Flavor but also effecting inventory levels.

Cambridge 25¢ per pack promotion considered to be successful with audits showing movement on all displays.

VIRGINIA SLIMS ULTRA LIGHTS

Acceptance for Virginia Slims Ultra Lights is at 80% for chain accounts. Nearly all of our wholesale accounts have accepted the product. To date, only S.E.G. Stores (Farmer Jacks, Salt Lake City, UT) has refused. We will represent and may be able to gain approval for supply through local distributors.

Reports from the field indicate that we have pre-booked 7,728 cartons of Virginia Slims Ultra Lights. Some problems were encountered with wholesalers failing to deliver pre-booked Cambridge Full Flavor product, but it appears that we have this situation corrected.

BENSON & HEDGES LIGHTS BOX

This brand has excellent acceptance in the accounts where it has been presented. Major accounts that have already accepted include Flaks, Inc. (Denver, CO), Skaggs/Alpha Beta Distribution Center (Payson, UT), and Buttreys/Skaggs/Alpha Beta (Salt Lake City, UT). This brand will be presented to Albertsons and King Soopers in September.

2043945128

Carton inserts concerning the new packaging are showing up at retail. Radio incentive for displays to pull through the old packing have arrived in the field.

### INDUSTRY

Congress passed a bill to ban smoking on flights of two hours or more. If signed by President Reagan, this would have a very negative impact on our business.

Encouraged those managers responsible for the Jacob Albright Program to recontact those targeted legislators to confirm their support or attempt to convert those opposing our stand.

A law was passed in Colorado which will require that all vehicles use gasahol or an ether based fuel on 1/88. It appears that we will have no choice but to use these fuels, even though we were asked not to some time ago.

There is a great deal of concern in Colorado regarding radon gas levels in residences. While newspapers are giving accurate information on how to reduce this risk, a local anti-smoking zealot is using the radio to state that smoking should be eliminated in homes with this problem. No scientific basis to this, but it will have a negative impact.

## II. MAJOR COMPETITIVE DEVELOPMENTS

### AMERICAN

Malibu being introduced at the wholesale level Sectionwide. There are three packings (Full Flavor, Lights, and Lights Menthol). Packings are available in 100's only. Terms are 3½%, 30 days. This product will have a \$3 off factory applied coupon. As we understand it, this will be a permanent promotion.

Couponing Lucky Strike and Pall Mall Filters at \$2 off.

Placing the old plastic Lucky Strike four tier carton rack as a permanent fixture with payment to retailer of \$45 per month in the Salt Lake City area.

### BROWN & WILLIAMSON

Have heard rumors that there will be a gradual introduction of Capri. We do not expect to see Capri in Idaho or Utah until 1988. For whatever reason, they are introducing this product gradually, and delaying the national introduction.

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King Soopers (Denver, CO) accepted all four packings of Falcon Lights. However in doing so, all packings of Richland were dropped.

Falcon Lights is being worked at retail with \$1 off carton coupons. A limited number of pack displays have been observed featuring Falcon Lights with 10¢ off per package -- 30 pack promotion, paying \$8 at retail. Sales reported slow.

40 unit display featuring Kool with buy 1 and get a free lighter. Retail payment \$3.

Floor display featuring Kool Sports Collection catalog of various items available free to customers.

#### LIGGETT & MYERS

L & M conducting promotion at Fleming Foods (Salt Lake City, UT) featuring private label Rainbo. Consumer offer of buy 1 get 1 free displayed in a floor dump bin.

Eve on-carton offer in floor display with a coupon attached for consumers to get five pieces of Jordache luggage for \$99.95.

Free cosmetic bag with two pack purchase of Eve. Display holds 50 two pack units. Payment \$5.

#### LORILLARD

\$2 off coupon on Newport noted in both a floor display and on the carton rack.

20 and 40 unit 2 for 1 display featuring True and Newport. Payment \$2.

Lorillard Sales Representatives are receiving mini vans similar to ours but without the racks.

#### R. J. REYNOLDS

RJR has successfully convinced Albertsons Corporate Office (Boise, ID) to remove all Cambridge packings from RJR's value center. To date, Albertsons has only approved placement of RJR's and L & M's value centers. Follow-up presentation for PM value center will be made on 8/31.

RJR placing 120 carton floor display (all major brands) with \$2 off coupons. Payment is \$45 for placement. This high payment and coupon offer have increased opportunities for placement of floor displays in large volume accounts.

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RJR has part-timers working three days a week at high volume outlets dispensing \$2 off coupons for Winston, Salem, and Camel.

RJR is now placing 50¢ off coupons on Doral, not \$1 coupons. It is too early to tell if this is having any effect on sales.

Reports indicate that on 8/12 RJR had a meeting in Denver, CO to discuss a new contract. No further details available.

Doral has now reached the #6 position in the Southern Idaho sub-market at 2.82% which represents nearly 10% of RJR's total business in that sub-market.

New Century packing is available in most accounts. No apparent effect on sales.

More Lights 120's 2 for 1's have been seen in nearly all wholesale distributors in the Section.

### III. TRADE CLASSES

Idaho Candy (Boise, ID) will move to a larger warehouse in January 1988. They have already expanded their product line to accommodate convenience stores.

DataVend presentation will be made to Foster Vending (Grand Junction, CO) who recently purchased Snak Bar Vending. This vendor currently has 90 machines.

B & B Vending (Boise, ID) was signed to DataVend effective 3rd quarter (207 machines).

Skaggs/Alpha Beta (Salt Lake City, UT) sold five stores to Albertsons and closed an additional four stores in Utah and Idaho.

King Soopers (Denver, CO) discontinued Merit, Merit 100's, and Players Lights 25's 100's Menthol due to their acceptance of all packings of both Virginia Slims Ultra Lights and Benson & Hedges Lights Box.

Skaggs/Alpha Beta Distribution Center (Payson, UT) accepted Virginia Slims Ultra Lights and Benson & Hedges Lights Box. As a result of this acceptance, we will probably lose distribution on three of our packings. Stores will still be able to order any lost packings from outside distributors as has been their policy in the past.

Shopko, which is now operating in Idaho, will open their first store in Salt Lake City, UT at the end of September.

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Stinker Stations (Boise, ID) and Mr. Gas (Boise, ID) continue to show carton prices as a lead item. Both of these chain accounts sell cartons for approximately \$1 less than supermarkets in the area.

Price Savers (Salt Lake City, UT) will open a new store in Provo, UT in mid-September. Sales in the two Salt Lake City stores are up 31%.

#### IV. SSM KEY ACCOUNT CONTACTS

Jay Cohan, President, P & M Vending, Denver, CO. They are selling generics at selected, low income locations for 25¢ less than branded. Jay agreed to place approximately 12 Cambridge Kings or 100's on a trial basis.

Dale Smith, Owner, Modern Cigarette Service, Arvada, CO. Dale is pleased with our Sales Representatives who are working out of this headquarters' point. His service has been excellent.

Charles Davis, Assistant Manager, Core Mark Mid-Continent, Pueblo, CO. Attempted to contact Manager, Rammy Inzerillo, but he was attending Super Valu Food Fair (they purchase their groceries from Super Valu). This distributor continues to charge our Sales Representatives 15¢ above list for cigarettes, causing a supply problem in this area. Will recontact.

Ken Kleinschmidt, Owner, Peerless Cigarette Service, Colorado Springs, CO. Peerless continues to provide excellent support to our Sales Representatives at this headquarters distributor. His overall sales are down due to loss of business to membership clubs (PACE, Buyers Club, Sam's). He feels that our competitors are giving these accounts an unfair advantage through VPR's and retail merchandising contracts.

Greg Flaks (President), Rick Flaks (Vice President), S. R. Flaks, Colorado Springs, CO. Greg feels that manufacturers should give more support to distributors and that RJR is making progress in this area by supplying package and carton fixtures for their use. While Greg seeks more cooperation and is being heard by high management levels of our and competitive companies due to his involvement in NATD, he gives very minimal cooperation to retail sales forces -- discourages cash sales to Sales Representatives, unrealistic minimums on bill throughs, failure to honor turnover bills, etc.

Wilson Croom, President, Flaks/Ponca, Inc., Denver, CO. Reviewed current business conditions and trends. Made arrangements for periodic review of his branches' sales. Requested that prices to our Sales Representatives be

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lowered to meet those of Modern Cigarette Service. Plans may include purchase of additional distributors.

Bill Schrader, Products Manager, 7-11 Corporate Office. With DRS Anderson and Les Olson, met with Bill. Good interchange of ideas. Was able to surface our problems with their Rocky Mountain Division in what I hope was a diplomatic manner. Hopefully some corrections will be made.

#### V. MERCHANDISING PROGRAMS

To date only 10% of our current independent Plan A contracts have been resigned which has resulted in an increase of 872 rows for Philip Morris. Plan A will be addressed at our Section meeting on 8/28 to increase the flow of our new contracts.

Marlboro sports bag A-1 promotion received excellent acceptance by retailers and consumers. Special arrangements were made with New York Office to gain extra displays to cover Circle K, Northwest Division, stores with this promotion (228 stores).

As a Section, we have shown an increase of 50 B-V displays during the last month. Special attention will be given to the B-V displays so we can increase placements as well as giving us prime exposure for Cambridge Full Flavor when this brand is removed from our permanent counter display.

Stinker Stations (Boise, ID; 27 stores) and Circle K, Northwest Division (Boise, ID; 228 stores) have signed A-V contracts. Placements are in the process of being made.

We feel that dropping the volume for placement of the System 2000 to 300 cartons per week will open many doors. Division Managers have become involved with presentations to accounts with their Sales Representatives, which has helped Sales Representatives become more professional in their presentation styles.

Division Managers are currently determining specific accounts for placement of spinners, end caps, and package fixtures other than overheads. Division Managers will be accompanying Sales Representatives on some of these presentations in order to improve our penetration with package fixtures.

We have completed assembly of a 3x4x3 System 2000 carton/package fixture with ability to merchandise up to 2,480 packages and 160 cartons (32 rows). Photographs of this unit were produced as a selling tool for this new rack.

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## VI. SECTION ACTIVITIES

For the month of July, 26 Sales Representatives cycled above 90%, with 23 above 96%. During this period we have four vacant territories and 1 SR on STD. Considering these factors, we are pleased with the results. Call rate was 11.0 per day during the July cycle.

All eight samplers have been hired and will be operational for the beginning of the Virginia Slims Ultra Lights Sampling Program.

The Marlboro Sampling Program appears to have been a success. A full report will be submitted in September to Jean Troupe.

Supervisors are currently addressing initial training of new AM's and DM's.

Completed setup of planning desk and related equipment. Upgraded master control and brought the system on line.

Currently completing arrangements to fulfill backorders on CMSII carton fixtures. Attempting to track needed parts from Section 63. These parts will complete all backorders on CMSII, if available.

Conducted Philip Morris/Gannett Golf Tournament on 8/3. Expect positive results from our contact with key account personnel and legislators.

Received majority of meeting materials for Section meeting to be held on August 28th. We appreciate the additional lead time provided by the early arrival of these materials. We have been advised that the remainder of these materials will be arriving on 8/27.

Still encountering problems with ordering and receiving shipments of on-carton Cambridge coupons. It would simplify the system if somehow we could find out when the coupons had been shipped. We would then be able to match the order with the shipment. Would recommend that this be done through the PF19 screen in the P.O.S. system.

Retail audits will be completed by SAM's and AM's in order to help them improve their knowledge of the accounts upon which they are calling.

Met with Jim Scully and his party. This group worked with four Sales Representatives on 8/13 and an AM and a DM on 8/14. I feel that this is a positive move to involve brand management with field sales, letting them evaluate the actual impact of their programs.

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### VII. SALES SERVICES

New combination warehouse has been established in Salt Lake City, UT. Shelves for storage have been constructed and materials are arranged in a systematic and orderly manner.

Visited our Section P.O.S. depot (USCO Distribution Services, Inc., Denver, CO) to evaluate usage of extra space leased. Appears to be well organized, clean, and functional. Will explore possibility of improving our Sales Representatives' access with double lock system on freight door.

Appears to be a growing trend in sending forms and materials to the Section Office for reshipment to Sales Representatives. While we can handle this, this practice appears to be less efficient in labor costs and adds additional delays (up to one week) in receiving of materials.

Excellent response received from accounts receiving trade gifts for Virginia Slims Ultra Lights and Benson & Hedges Lights Box.

Benson & Hedges Inner City Program was completed according to program guidelines.

### VIII. SALES DEVELOPMENT

MPA Lenny Nelson and SAM Mike Kronschnabel attended SAM Seminar II in Snowmass. Both felt it was a very worthwhile meeting with substantial financial information. However, we are looking forward to the small group workshops in hopes it will address a review of this material.

Attended a one day meeting on new worker's compensation procedures and AAP goals.

New Area Managers and new Division Managers attended seminar conducted by RT Gary Fuhrmeister. All felt that the seminars were quite productive and informative and will assist in their new positions.

### IX. MEDIA

No comments this month.

### X. ASSOCIATIONS/CONVENTIONS

Attended Wyoming Candy, Tobacco, and Coin Vendors Association Convention with AM Debi Vencil. We sponsored the Saturday lunch and distributed our lighted cosmetic cases (very well received). This Association has been very instrumental in combating state tax increases (now 80¢ per carton) and anti-smoking legislation and deserves our full support.

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Participated in Albertsons Rocky Mountain Division Golf/Dinner outing. SAM Karen Leslie attended for dinner. Good opportunity to improve rapport with key personnel and expand our contacts vertically.

SHA Johnny Byrge and AM George Hussey participated in Super Valu's Food Fair. Obtained some good leads for Philip Morris package and carton merchandising fixtures, along with permanent P.O.S. and shopping baskets. This was our initial involvement with Super Valu. Will measure performance before repeating.

#### XI. SSM MISCELLANEOUS COMMENTS

Still awaiting arrival of planning desk. Equipment is currently set up on available furniture.

The subject of a functional discount or some other means of financial support for distributors has been widely discussed. If such a program is implemented, it should not be a one sided program. To qualify, distributors should agree to provide the services associated with this class of trade:

- . Reasonable prices to our sales force
- . Acceptance of bill through and turnover tickets
- . Accurate processing of unsaleables in an efficient manner, etc.

As examples, Flaks/Ponca, Inc. (Denver, CO), Modern Cigarette Service (Arvada, CO), and Peerless Cigarette Service (Colorado Springs, CO) all provide excellent service and cooperation. S. R. Flaks (Colorado Springs, CO) and Core Mark Mid-Continent (Pueblo, CO) are uncooperative. The uncooperative distributors, due to their trade associations in S. R. Flaks case and size in Core Mark Mid-Continent's case, are the most demanding.

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I    MARKETING CONDITIONSCambridge Full Flavor

Major holdout remains Safeway, Bellevue. Their reasoning is the slow movement of Cambridge Ultra Lights. They are to be presented again the first week of September. Movement of the brand seems to be improved with the availability of coupons and positioning on our value centers. In some instances, confusion still exists on pricing. Couponing appears to be the biggest motivator in movement.

Virginia Slims Ultra Lights

Acceptance is going very well. PayLess Northwest will be presented this week. During the first week of September we have an appointment with Safeway, Bellevue. Prebooking forms have been very beneficial and we anticipate very positive and quick retail visibility.

Benson & Hedges Lights Box

This brand will be presented to the accounts during the upcoming month.

General Marketing Conditions

The Spokane market, though sluggish on an overall basis, shows that 12 of their top 20 companies have increased employment over the past 5 years. The fact remains this is still a strong generic market.

Overall economic outlook in the remainder of Washington is good, especially in the Seattle area. Unemployment continues to drop. Military is having a positive impact in the Bremerton and Everett areas, and Boeing remains very strong in Seattle.

Oregon continues to be moving in a positive direction in their economy.

Taxes and Government Affairs

With the passing of the sales tax and then repealing this tax, the City of Fairbanks, AK. is now looking at excise taxes on alcohol and cigarettes.

The City of Anchorage has an ordinance banning smoking in all municipal buildings. Unions for the municipalities are filing suit and conducting meetings to fight this ordinance. They claim it is in violation of the union contracts.

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Sheehan Majestic of Missoula, Montana has printed up cards on their own to have people contact Senator Backus about cigarette taxes.

The State of Washington is considering a special session in September. I am not aware of any tax proposals or smoking restrictions at this point.

## II MAJOR COMPETITIVE DEVELOPMENTS

### American

Very little activity at headquarter level.

Distribution for Malibu has been poor. Sales are sustained by the \$3.00 coupons; otherwise sales are minimal. Sample 20's are being given out in Oregon, however, no live product in the stores.

### Brown & Williamson

While Falcon has gained good distribution and retailers have readily accepted the 2-for-2 displays, sales are reported as very poor. Retail coverage for this packing is spotty. Reps have been trading out Black & Whites to get Falcons in. Most cartons have \$1 off coupon.

They are spending their resources at the vending level offering a free carton of Kools for placement of any new Kool packing. Based on previous promotions of this type, they lose one of their current packings to place a Kool packing.

### L & M

Scattered reports of Rainbow, a generic priced brand, appearing throughout the Section. The family consists of King and 100's, King Lights and 100 Lights. Will provide further information as it becomes available.

### Lorillard

In Montana, Lorillard offers retailers the option to display near out-dated product at a reduced price. This has generated consumer interest and has eliminated some old product being returned.

They are presenting total dollars for carton contract payments. This impacts on us in securing our fair share to some extent.

Lorillard's Key Account Manager out of Portland seems to be well received in the area. She is currently working on P.O.G.'s for Uddenberg.

They are reintroducing Silver Trues with two-for-one displays in the Seattle and Spokane areas. The 50¢-off coupons have no expiration date. They also have a mail-in offer for three \$2 coupons.

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R. J. Reynolds

Reynolds offered Fred Meyer Grocery an outside auditing firm to monitor pilferage/sales for a 13-week period to put aside that supposed problem. They declined, stating that their customers would be confused. Reynolds will be testing a pressure sensitive fixture in one store. The Buyer was not impressed with that concept and predicted failure.

Mass mailing of coupon books noted offering the consumer one free pack with the purchase of one pack of Magna. Currently the brand enjoys good sales with or without coupons.

More Light 120's free pack coupons and 2-for-1's are abundant in the Spokane area. Century has a packing change in effect with \$2 and \$1 coupons with purchase.

Generics

B & W is aggressively pursuing their generic business. Reports are they are in a bidding war with L & M at distributor level. McLane no longer carries L & M's Black and White; Associated Foods is looking at B & W generics only. Offers keep getting better according the Associated buyer; she's asked for bottom line and an end to the bidding war.

III TRADE CLASSES

Associated Grocers of Seattle is becoming more aggressive in the Portland market. They are beginning to make some inroads. At this point, United Grocers of Portland is not expressing much concern.

Gierke Distributors in Miles City has purchased a larger facility and will be moving into it before year end. They plan to add product lines and update their warehouse. Reportedly, Sheehan in Missoula has purchased a new location and also plans to relocate in the next few months.

Gold Pan Distributors in Anchorage has had a change in executives. President Cliff Winchester is gone; Jerry Pettross is his replacement. No information as to the reasons for these changes at this time.

Food Services, Mt. Vernon and Bellingham, is undergoing some major changes. This is affecting the accessibility of product for our Sales Representatives headquartered in Bellingham.

Area Manager Bob Evans is working closely with CoreMark in Portland and Grants Pass attending their sales meetings. He is working to strengthen the lines of communication with their sales people and the problems we incur in the field.

URM in Spokane is becoming increasingly aggressive in that market and is having an impact on C.D.I. whose business is down. URM is taking advantage of this. We will probably see a shift in business between these wholesalers.

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Basin Oil, 9 convenience stores in Moses Lake, is planning to expand to 12 stores by the end of next month.

CoreMark has informed us they will begin to aggressively promote their Best Buy products in their Portland, Grants Pass, and Spokane branches. They will use \$1.00 stickers. Our supplemental fixtures will be available for the needed locations.

Pay N Save reportedly has interest in purchasing 6 of the Go Guy stores. Also, Pay N Save will be opening three stores called Pay N Save Limited; 2 in Seattle and 1 in San Francisco. Supposedly, these will be much smaller stores and operate essentially as a convenience drug store. Pay N Save appears to have some financial problems and they are now expressing more interest in the profitability of cigarettes even upon a limited basis. We continue to promote the profitability of the category and the need for a full service department.

#### IV KEY ACCOUNT CONTACTS

None this month.

#### V MERCHANDISING PROGRAMS

SAM Joe Palermo, along with Greg Walsh, New York, and Dan Yenglein of Harbor Industries contacted Gene McIntosh of Plaid Pantry. There is a definite interest to utilize our System 2000 with the use of a nighttime lockup system. Plaid Pantry is very interested in securing this for 125 of their stores. It is my understanding we have the approval and should be receiving nighttime lockup prototypes in a week to 10 days. This will also allow us to secure additional counter displays and maintain our Overhead Package Fixtures with this key account.

We have placed a 7-shelf System 2000 in Safeway, Clackamas. Response from their buyer and the store manager is very favorable. The merchandiser is not quite as supportive at this point. We think our response time to their request will prove very beneficial in the long run. DM Ben Cockman sold in a System 2000 to a Safeway store manager in Fairbanks, AK., however, that request was negated by their headquarters in Bellevue. SAM Chuck Parker has followed with Safeway people. It appears we might have an open door if our major competitor cannot or will not accommodate. Value centers have been placed in all 11 Safeway stores in the Alaska market.

At the retail level, signing Plan A's continues to move slowly. We are gaining significantly on carton fixtures. Division Managers and Sales Representatives are being very aggressive going after the third and fourth shelf on contracts.

We have placed a System 2000 3x3 end cap on the adjacent end cap to competitive fixtures in Barney's Sooper in Spokane, WA. This unit comprises both packages and cartons of Philip Morris products only. Reports from the account are very positive.

We are beginning to see very positive interest at the independent level with our System 2000. Anticipate numerous placements in the upcoming months.

Minute Markets of Medford have agreed to 4-wide supplemental fixtures in two of their stores.

Dari Mart, Junction City, Oregon, has shown interest in our supplemental fixtures as well.

Racks have been ordered for Arco AM/PM for both Portland and Seattle locations. Expect placements to be made during September upon arrival of the units.

The Marlboro Sports Bag has received very good response. Safeway, Clackamas would only participate if incentives were placed on the displays and the cigarettes provided from the carton fixtures. We declined. It would not have provided added inventory or automatic distribution. This leaves us with approximately 100 displays to use.

Division Manager Peggy Melton offers this suggestion for our pack toppers on our value centers: the fixture be redesigned to accommodate more packings than we currently have. With our capacity holding up to 26 packs, this has been a direct factor in losing at least 7 value centers in her Division.

Reportedly, we lost two of our Overhead Pack Merchandisers to Reynolds' new unit as a result of \$150 per month for the placements. We have no documentation of this.

#### VI SECTION ACTIVITIES

Division Managers held Division concerning the introduction of Virginia Slims Lights and for the new Plan A. Emphasis is being placed on the use of supplemental fixtures, placement of System 2000, and improving our visibility on carton merchandisers. Response to the new brand as well as the Plan A was positive.

SAM Joe Palermo, Greg Walsh of Merchandising Materials, and Dan Yenglein of Harbor Industries followed through on a System 2000 presentation with Plaid Pantry for approximately 125 stores. Key feature: the nighttime lockup. We appreciate their involvement and efforts in helping us secure this influential convenience chain.

MPA Griego, SRO Nechanicky, and I attended and worked the Fred Meyer Challenge in Portland. Our sponsorship at this golf outing was very positive and allowed us an opportunity to improve our relationships with Fred Meyer and also make headway with various other accounts in the Portland market. It was an entertaining, enjoyable, and productive outing. Our people distributed over 30,000 samples.

MPA Griego and I attended a 1-day meeting in Denver covering Workers Compensation and our Affirmative Action program and goals for 1987.

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RT Gary Fuhrmeister, ADRS Alford and I met to review the upcoming Space Trek incentive program. This appears to be an exciting program that will generate great interest from the sales force.

Four of our new Division Managers attended a 4-day workshop in Denver. Feedback from each of them has been very positive. I am certain this background and rationale will allow each one to be more comfortable in managing their Division and developing their people.

MAP Griego, SAMs Palermo and Parker attended a SAM Knowledge Seminar in Aspen, Colorado. Feedback from all three is that it was a very positive learning experience and provided them insight into the operations of our key accounts. They are anxious to apply this good information to their daily activities.

Also had three new Area Managers attend a 3-day seminar in Denver. They found it very enlightening, beneficial, and recognized the significant differences between account management and Sales Representatives responsibilities. This has proved very helpful in allowing them to develop smoothly into their new responsibilities.

#### VII SALES SERVICES

We have received the diskettes for the Smart desk. MPA Griego is becoming more familiar with the system and its software application.

#### VIII SALES DEVELOPMENT

We received the appropriate materials for the upcoming Section meeting from the training department. This allows us sufficient time to review and prepare for the meeting on Friday. We are scheduled to receive the materials for the Space Trek presentation this coming Thursday.

#### IX MEDIA

Nothing to report this month.

#### X ASSOCIATIONS/CONVENTIONS

Nothing to report this month.

#### XI SSM MISCELLANEOUS COMMENTS

None this month.

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REGION 7

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## I. BUSINESS AND MARKETING CONDITIONS

### Cambridge Introduction

#### Retail

The brand has started off in a very positive fashion during the initial retail coverage. We estimate distribution to be at approximately 75%. I.C.R. processing errors have apparently wiped out the first week of distribution figures reported by all Sales Reps. 2 for 1 promotions and \$2.00 carton coupons have sold very fast at retail. The select markets indicate a very positive response to the \$.25 off per pack sticker. One recommendation is that this sticker be placed on both sides of the pack.

#### Wholesale

About 1,600 cases have been shipped during the first 60 days. These 96,000 cartons present a very strong performance of 0.9%. Reorders have begun to come in from retail levels.

#### Consumer

Response and acceptance to Cambridge Full Flavor is much stronger than experienced for the lights. The red package seems to be attracting the consumer, as it conveys full taste.

#### Sales Trends

Sales through August continued to be about 1.4% ahead of last year. The Fresno and Sacramento markets continue to show growth, being up 10.9% and 2.4% respectively. The San Francisco market reflects a mirror image of California state-wide figures with a 2.2% decrease.

#### Federal Excise Tax Issues

To date, meetings have been conducted with four U.S. Congress people or their chief aides. All four seem to be understanding and sensitive to the issues. Most of them feel that there will be an eight cents increase. Congressman George Miller continues to be the holdout on any type of a meeting.

#### Anti-Smoking Issues

Ordinances are being proposed in many towns and cities up and down the central valley of California. Fresno has become a focus for efforts on the industry's part. Our

sales people have met with T.I. V.P. Jack Kelly in an effort to organize activities. Government Affairs Manager Tina Walls has designed an excellent strategy for defeating this ordinance in Fresno and it has now been embraced by the entire industry.

Attached is a letter R.J.Reynolds uses to solicit public support against anti-smoking issues.

## II. COMPETITIVE DEVELOPMENT

### American

ATC is now introducing Malibu in three packings - regular, menthol, and 100's. They are presenting it as a generically priced product, but it is really a full margin product that will be continually couponed at \$3.00 off per carton. Promotional information was mailed to wholesale accounts prior to their being contacted by an ATC representative. ATC is offering \$45.00 off per case to the wholesale trade.

ATC is currently presenting floor displays featuring all three packings to the retail trade. The displays being offered are comparable to our AV unit. Payments offered include \$45.00 per month with a \$100.00 bonus for six month's participation. One-half of the bonus can be paid up front. The displays hold 45 cartons. The total display program offered to Save Mart stores offered in excess of \$21,000. for a 6-month program.

### Brown and Williamson

Capri promotions continue to be the exclusive brand promoted by the sales force. Carton and package racks have been labeled and a tremendous amount of P.O.S. has been placed. Billboards have been noted on major highways and high traffic areas of the cities. With all of this promotion, there is still a lack of sales other than trial buys. B&W Sales Reps have been contacting high volume accounts to obtain the managers' permission to allow an outside sampling agency to come in and sample the customers. The name of the agency is The Donley Company. They are using models to pass out "buy one, get one free" and \$2.00 off coupons. They also are passing out 20-pack samples. These samplers have been seen in Long's Drugs and Safeway Stores.

### P. Lorillard

Lorillard has contracted with 7-Eleven to make merchandising payment on clocks being placed in their stores. Buyer Rigo

Bolanos has indicated no final payment being made in this unit, but expects one is forthcoming.

Lorillard also has a 20-unit True silver lighter display paying \$2.00. Movement on this offer is slow.

Sales Reps are continuing to place \$2.00 off coupons in all Newport merchandise on the carton fixtures. They are also promoting Newport in a 20-unit 2 for 1 display with \$2.00 payment to retail. Sales for this promotion are reported as good.

### Liggett and Myers

Nothing to report this period.

### R. J. Reynolds

We continue to make some positive gains in the area of merchandising due to some strategic turnover by RJR personnel in recent months.

RJR has a 180-carton floor display which features all packings of Winston, Salem and Camel. Each carton has a \$2.00 off coupon attached. Sales of this promotion are good - about 10 cartons per day. The retailer is paid \$45.00 per placement.

Camel filters and lights 3 for 3 product is being placed on the special promotional display and is selling out very quickly. The inventory is depleted in two to three days.

RJR has created a "Help Desk" for their customers. This service will handle any of the following problems:

- Billings
- Concealed Shortages
- Delayed Shipments
- Invoices
- Product Shortage
- Promotional Payments
- Electronic Funds Transfer

The toll-free number is 1-800-862-4338.



### III. TRADE CLASSES

#### Wholesale

##### Bercovich - Sosnick     San Leandro, CA

Bob Partridge has informed us that all orders coming through their Fresno branch will be pulled and shipped by their San Leandro warehouse. Plans for the eventual permanent stock of cigarettes and other products will be delayed anywhere from six months to two years. As a result, pre-books must be taken 24 hours in advance, prior to delivery and all new introductions will be handled in San Leandro.

##### Market Wholesale - Modesto

Market Wholesale has accepted both packings of VA Slims Ultra Lights and B&H Lights Box. As a result of numerous introductions for PM, RJR and B&W this year, all three tobacco companies are requested to delete slower moving products. Buyer Laura Moore cited the following reasons for deletions:

1. Lack of warehouse space
2. Excessive amounts of packings associated with new introductions.

Products removed from distribution resulted from introducing the six new PM packings in the past three months. After a review of all PM products, Area Manager Tim Barbera and the buyer have deleted Players Lights 25's king size menthol and Merit king size menthol, based on poor sales of less than one case during the first six months in 1987.

#### Supermarkets

##### Lucky's Stores - San Leandro, CA     159 Stores

Buyer Dave Ebert was successful in picking up four new slots for cigarettes at their warehouse in Vacaville. Although he is pushing for more, at least the operations department is recognizing his need to carry more cigarette brands. He has accepted new Va Slims Ultra Lights, both packings. He has also accepted new Malibu Light 100's.

##### Raley's - Sacramento     49 Stores

Two low-profile 1,800 pack spinners will be tested in Raley's new Vallejo store beginning in September. Raley's still has not authorized Cambridge Full Flavor. In fact,

Buyer Lee Salo has asked for the removal of Cambridge which is currently in 14 of his his stores. Raley's will be participating in the Rainbow generic program available through Fleming. They have also eliminated all other generic products from their shelves and will not carry a no-name brand of any product in the future.

Alpha Beta - Northern California - Fremont 55 Stores

Buyer Doug Russo has agreed to test two 1,600 low-profile spinners in his Pacific Grove, CA store. Placement of these units will begin on September 7th. We are hopeful that this will lead to the placement of other fixturing for Alpha Beta stores. SAM James Canley will continue to follow up on this test.

IV. SSS CONTACTS

Customer Company - Benicia

John Roscoe  
Ned Roscoe

Accompanied FVB Managers Jerry Booher and Brian Schielar on presentation to renew our manufacturing agreements for F & L private label. This account continues to be very responsive to almost all PM sponsored programs.

Modesto Tobacco Company - Modesto

Tom Eakin  
Steve Eakin  
Joe Garcia

Conducted follow-up call regarding contract for FVB with this account. MTC continues to show great interest in our plain label generics. As soon as we get a contract to present to this customer, I believe we will be in business. MTC represents about 130 million units per year in volume.

7-Eleven Central Pacific - Pleasanton, CA

Rigo Bolanos

Accompanied FVB Manager Jerry Booher in the presentation of the Southland program for the 500 stores in Northern California. Although Rigo seemed interested in the program concept, he stated several obstacles to successful implementation. Dual pricing points are a major concern, along with the incompatibility of 7-Eleven cash registers. Follow-up was planned by Jerry for early September on this program.

Market Wholesale - Santa Rosa  
Brad Byron

North Coast Distribution - San Rafael  
Rich Lazzarinni

Kurlander Wholesale - Rohnert Park, CA  
Dennis and Monty Kurlander

Albee and Buck Wholesale - Eureka, CA  
Gary Agajanian

Endert Distributing - Crescent City, CA  
John Hampson

FVB Jerry Booher and I made presentations to all of these wholesalers. Every customer expressed quite a bit of interest in our Famous Value Brands. The terms and float were thought to be the best in the industry. Follow-up will be made with all of these accounts to insure purchase of our brands.

#### IV-A. CONTACT SUMMARY

AM James Canley

Safeway Northern California - Fremont, CA 233 Stores

On August 4th, I met with Dave Cabral for the following reasons: represent Cambridge Full Flavor, AV fixture, redo Plan-O-Gram carton fixtures, build inventory on Virginia Slims Ultra Lights, and secure a signature for our ACT Media in-store promotion.

Because the introductory terms were no longer available for direct accounts, I recommended purchasing the product through Sosnick and receive the non-direct gratis.

I also presented the AV fixture on a temporary basis, or 90-day trial. This would make the account eligible for our bonus program and also give us enough time to measure Cambridge sales and prove the fixture worthy of becoming a permanent fixture.

We also redid the Plan-O-Gram for the carton fixture for actual rows on split shelves. Prior to this, the rows were averaged and it created problems at retail and we were short of rows on the fixtures.

We increased Va Slims Ultra Light's inventory and will plus-out 10 and 10 to each store the week of 9/14/87. All promotional displays were accepted at manager's option.

Although Safeway is very familiar with ACT Media, Dave was unable to give us authorization to participate in the in-store couponing. He said Safeway's policy is not to aggressively promote cigarettes. Although they don't mind the carton couponing, they do not want the image of aggressive cigarette promoters.

On August 25th, I have another appointment with Dave to present B&H Lights Box regular and menthol.

#### 7-Eleven Central Pacific - Pleasanton, CA 500 Stores

On three different occasions, I met with Rigo Bolanos of 7-Eleven. Our primary objectives were to gain distribution of Va Slims Ultra Lights in all stores, introduce B&H Lights Box, redo the Plan-O-Gram for their carton fixture, evaluate the store level invoicing procedures.

I also sat in on an appointment introducing All American Value Brand with Jerry Booher and Steve Vasquez. During the new brand presentation, I was able to gain distribution without any problem. We also developed fliers for 7-Eleven field reps' use to pre-book the product.

We redid the Plan-O-Gram for the carton fixture to accommodate the new brands; however, because of Cambridge Light's slow movement in 7-Elevens, we decided to reduce its space on the fixture.

Also, we received the counter display program and decided we must continue presenting the unit until we achieve a minimum of 60% penetration, or 300 displays.

We also took time to evaluate the store level invoicing and the effectiveness of the program. Based upon invoices they received from our Sales Reps, only 50% are leaving invoices behind. They also indicated this could be due to the people not sending in invoices, but regardless of who is at fault, we agreed to re-emphasize the importance of the program to Reps of both our companies.

#### Kayo Oil - Soquel, CA 66 Stores

On 8/5 and 8/19, I met with Mike Wooldridge. My objective was to introduce him to our self-service carton program.

Initially, I was going to sell him on Plan AM; however, after he and I evaluated each store's volume, layout, and location, we decided all stores would not be able to participate.

We also decided at that time to try larger fixtures in larger stores, and the fixture we agreed on was the low profile 3 x 4 fixture. We went through the store list and selected 14 stores that have been remodeled and potentially can take the fixture. However, each store must be audited in order to see if the fixture is practical.

I will make a formal presentation to Mike Wooldridge and Division Manager Jim Hoyt on September 23rd. All stores over 300, I will sign Plan AE, and under 300, AL. In their low volume small stores, I will attempt to secure placements of Plan AM.

#### Liquor Barn - San Leandro 44 Stores

On 8/18, I met with Buyer Phil Less. My primary objective was to do some fact finding on their goal in terms of merchandising. Some common objectives we did agree on were: provide viable security; increase merchandising dollars; customer satisfaction; and maximize profits.

Phil stated for this type of decision, he would need to get higher management involved. We agreed to setting a date towards the end of September for the showing of the fixture and presentation. He also indicated RJR has shown them a movie on the electronic security system they have available for their fixtures.

I intend to audit more stores prior to developing a presentation; however, to sell against the electronic security system, I will audit the Safeway store that currently has the fixture to determine how viable it really is. I also am convinced that relocating the fixtures within the stores will help reduce pilferage.

#### Alpha Beta Northern California - Fremont, CA 55 Stores

On 8/6, I met with Doug Russo of Alpha Beta. My objectives were to invoice the account, build inventory on Va Slims Ultra Lights, and review our self-service package program.

Inventory plus-outs of 10 and 10 cartons of Va Slims Ultra Lights will be shipped to all stores. Doug stated that he will not be able to participate in our first 2 for 1 program due to prior commitments; however, all other promotions were authorized.

During our review of available self-service single pack fixtures, Doug demonstrated a preference to our 24" or 29" modules placed in a self-service position; however, he did agree to test two 1600 low profile spinners in his Pacific Grove, CA store. Placement will be made the week of 9/7/87.

On my next appointment with Doug, I will present B&H Lights Box and gain a commitment for more self-serve pack fixtures.

#### Fleming Companies - Pleasanton, CA

On numerous occasions, I met with Buyer Marc Lee and Kal Giles, IGA Merchandising Manager. During our meeting, I sold in Va Slims Ultra Lights to the Sacramento and Fresno warehouse. I also built inventory for Fremont and Milpitas. Additional orders were placed to accommodate plus-outs to Raley's from Sacramento and Alpha Beta from Milpitas.

During my meeting with Kal Giles, he was very persistent in terms of our signing merchandising contracts with Food for Less. Although these stores are independently owned, he wants us to treat them as a chain and headquarter them out of his office. Their method of merchandising is a warehouse-type of setup, with half cases on the racks. The contract that may apply to that fixturing is Plan ADH. I am scheduled to meet with Kal on Wednesday to review this contract.

In the meantime, he wants me to contact someone in our NYO and arrange an appointment to discuss developing a new contract based upon store volumes. I will contact Bill Garry to discuss this with Kal.

#### John Zank, SAM

#### Lucky's Stores - San Leandro, CA      159 Stores

Buyer Dave Ebert was successful in picking up four new slots for cigarettes at their warehouse in Vacaville, CA. Although he is pushing for more, at least the operations department is recognizing his need to carry more cigarette brands. He has accepted new VA Slims Ultra Lights, both packings. He has also accepted new Malibu Light 100's. I do not know what other packing was picked up to fill the four new slots.

#### Raley's - Sacramento, CA      49 Stores

Lee Salo is allowing us to place the package fixtures in the new store in Vallejo, CA scheduled to open in September. I

have managed to place two low-profile 1800 pack spinners. Raley's still has not authorized Cambridge, Doral, and Falcon in their stores. In fact, Lee Salo has asked that I remove the Cambridge that can currently be found in 14 of their stores. Raley's will be participating in the Rainbow generic program available through Fleming. Raley's has, however, eliminated all other generic products from its shelves and will not carry a no-name brand of any product in the future.

**Save Mart - Modesto, CA 54 Stores**

Save Mart has recently opened its 54th store in Modesto. Buyer Arvin Shock has expressed an interest in low profile spinners in his stores instead of the tall B&W spinners they are currently using. I have made a presentation regarding our low-profile 1600 and 1800 spinners. I intend to follow with additional data regarding our share of market in package sales. I have contacted NYO regarding this information.

**Customer Company - Benicia, CA 125 Stores**

The three-pack promotion with a free soft drink is finally ready to begin. All materials should arrive by 8/26/87. Ned Roscoe expects to start the promotion by 8/28. Customer Company already has Va Slims Ultra Lights in distribution and has accepted B&H Lights Box. They were considering declining Malibu, but I do not know their final decision at this point. Implementation of the 3' tobacco accessory modules to compliment our carton fixtures should begin in approximately ten days.

**Regal Gas**

Regal Gas has expressed an interest in our fixturing. I am working on a presentation for self-service locations with volumes of 300 to 500 cartons; however, this chain is going through a major reorganization and has eliminated many mid-level managers. As a result, many people are not sure who is responsible for what. Therefore, it is difficult to get a decision made. They have requested that I wait 30 days before I make a presentation. By that time, they expect their reorganization to be complete.

**Capital Cigar**

Capital Cigar has accepted all new packings of Va Slims Ultra Lights and B&H Lights Box. Additionally, they have expanded the time that our Sales Reps can purchase stock.

Sales Reps can now get in as early as 8:30 AM and as late as 4:30 PM. This will help the territory coverage a great deal for the Reps who utilize Capital as their headquarter jobber.

#### McLane-Pacific

McLane has accepted all of our new packings of Va Slims Ultra Lights and B&H Lights Box. Orders have been placed for part of their allocations. They will contact me to order the remainder when chain orders for Circle K, Stop N Go, etc. become available.

#### Longs

I have contacted the buyer at Longs Drugs #106, which is a direct account and stamps cigarettes and delivers to 27 Longs stores in the Bay Area. They have accepted the new packings of Va Slims Ultra Lights and B&H Lights Box, but they will not order above their allocation until they begin receiving orders of the product from their other stores. No contact has yet been made at Longs corporate offices.

### V. MERCHANDISING PROGRAMS

#### Carton Merchandising Program

Plan A penetration exceeds 92% of all eligible accounts. We continue to improve row gains in both Category I and II. We are currently contracted on 87.8 rows in Category I and 71 rows at Category II.

#### Marlboro Sports Gear A-1

Participation for this promotion has reached 64% utilization thus far. We are anticipating 100% of our allocation.

#### AV/AG

During the past three months, we have been successful in gaining 162 new placements of our AV/AB fixtures at retail. This reflects a 26% increase in unit presence, representing 2.3 placements per Sales Rep.

#### Package Merchandising

Plan B/M merchandising continues to be very strong with 96% of all units placed at our highest categories of B/M-3 and 4. We are penetrating 43% of all pack-selling outlets. Efforts on behalf of our SR's will be made at 7-Eleven to



place our M-5 units. We are anticipating 300 fixtures by year-end.

#### BV/BG

Since May, we have increased our Plan BV's 43% at retail, averaging 7.0 units per sales territory. We have also improved our BG placements by 21%, averaging 2.5 displays per territory.

### VI. SECTION ACTIVITIES

#### Marlboro Summer Sampler Program

Seven samplers are now in the process of completing this program in Section 71. The program continues to be most successful in rural or resort type areas. The opportunity to contact competitive smokers in a relaxed atmosphere affords us a good chance to convert them to Marlboro. In the urban areas, it continues to be more difficult to secure quality individuals for sampling activities. Hourly salaries need to be raised to \$10.00 per hour. This would create an even more successful program.

#### Auto Expo / Cruise Night - Woodland, CA

The annual Auto Expo / Cruise Night in Woodland was again a big success. This was our third year of participation and it was reported to have attracted over 20,000 people. Bill Davis' division worked the event by maintaining a booth, placing advertising and distributing samples and various incentive items. Over 15,000 sample packs of Marlboro were used.

#### Cal / Expo Rodeo - Sacramento, CA 8/23/87

Members of the Sacramento Division - Am Brown, and ADM Devers participated in the Cal/Expo Rodeo in Sacramento on Sunday, 8/23. The program proved to be very successful and effective in making Marlboro visible to the consumer. An approximate 5,000 people attended and received Marlboro incentives and samples. The only concern is that we did not correctly anticipate the turnout. The samples were sufficient, but the incentives were not. We could have used another 100 hats and 200 t-shirts.

This Mexican rodeo activity was very well coordinated by SSS Florio. Marlboro brand family benefitted greatly from this.

**Marlboro Auto Sports**

SSS Posse has made all necessary arrangements for conducting two bar night promotions in support of the October 11th Monterey car race. Even though we will not have activities at the race itself, visibility will be very high for Marlboro.

**B&H Jazz "Command Performance"**

The upcoming program on behalf of B&H will no doubt offer added opportunity for exposure. Perhaps future concerts could be scheduled for a night other than Sunday.

**B&H Inner City Program**

This program provides the B&H menthol packings with an extra push during the summer months each year. We recommend a program that will be ongoing in selected areas, with two sales Reps in the inner city areas of Oakland and San Francisco. Such permanent activity would do much to sustain the growth of B&H in the ethnic areas.

**B&H California Defense Program**

The program designed by DRS Kuhlman to defend against Capri's erosion of B&H Deluxe market share shows good potential. After some initial planning with management personnel, a program meeting was conducted. Sales Reps completed a coverage matrix which listed 30 stores plus an additional 10 reserve stores. Retail Merchandisers and RMA's were briefed on the program and assigned in teams to work in specific geographic areas.

Initial feedback from the first few days of the program indicates that it is working very, very well. Sales Reps report no problems in selling the two display program to their retailers. Many Sales Reps had their customers sign the planning matrix. This served as an "authorization" for the RM's use during placement of the lighter display.

C.I.P. coupon packets have proved to be another good tool in this program. Overall, we anticipate the program being completed in very smooth fashion. The most significant aspect certainly is that after the initial store contact, our Sales Reps were freed up to sell other programs in their territory.

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## VII. SALES SERVICES

### Office Administration

Furniture for use in the SAM offices were received during the week of August 17th.

### Systems

Processing problems with I.C.R.'s during the first week of the Cambridge Full Flavor introduction has made it impossible to determine accurate distribution levels.

### Merchandising Materials

Carton rack labels for Cambridge Full Flavor are still yet to be received in the field.

## VIII. SALES DEVELOPMENT

Row calculators for use in Space Trek presentations are not available. Midas P.O.S. system lists this item as out-of-stock.

## IX. MEDIA DEVELOPMENTS

Newspaper ads run for the B&H California Defense seem to be quite effective. The initial ad featuring 2 for 1 coupon has produced quite a bit of activity at retail.

The new Va Slims Ultra billboards featuring bolder lettering are far more effective than the ones used in the test market. This bolder type can be seen from a greater distance.

The "ACT Media" program for in-store promotion of Va Slims Ultra and B&H Box has met with resistance from some important chains. Safeway - Northern California (240 stores) does not want to actively promote cigarettes in their stores. We are discussing possible alternatives with ACT Media representatives.

## X. ASSOCIATIONS / MEETINGS

### Space Trek

A Section meeting was conducted on August 28th on behalf of this program. Sales Reps and management are very enthusiastic about the program, although the row gap targets seem to be somewhat unrealistic.

XI. SSM MISCELLANEOUS COMMENTS

The State of Nevada has enacted a provision connected to its state tax increase which requires retailers to pay wholesalers for their products within 14 days of delivery. (See attached letter).

I. MARKETING CONDITIONSPM BrandsCambridge Full Flavor

Two chains authorized Cambridge Full Flavor this period, Hughes Markets and Stop 'N Go Markets. Decision still pending with the following chains:

Boys Markets	Sav-On/OSCO Drug
California Target	P&M Stations
Lucky Stores	Thrifty Drug
Ralphs Grocery	William Bros.
Safeway Stores	

Most of these chains are taking a "wait and see" approach prior to making any final decisions. Particularly those chains that have Cambridge Lights in distribution (sales are slow).

Sales of Cambridge is starting to pick up at retail in light of the fact that RJR has either eliminated placing coupons on Dorals, or have reduced the value of their coupons from \$1.00 to 50¢.

Virginia Slims Ultra Lights/B&H Lights Box

Acceptance at chain level has been very good. All chains in Hawaii have approved both packings of Virginia Slims Ultra Lights. Likewise acceptance has been good on the mainland. Major chains decision to date:

<u>Account Name</u>	<u>V/S U.L.</u>	<u>B&amp;H Lts. Box</u>
Al-Sal Oil	Accepted	Pending
Albertsons	Pending	Pending
Alpha Beta	Accepted	Accepted
Boys	Accepted	Accepted
Clark Drug	Accepted	Pending
Hughes Markets	Accepted	Pending
*Lucky Stores	Accepted	Accepted
Longs Drug	Pending	Pending
Mayfair	Accepted	Pending
Mobil Oil	Pending	Pending
Pantry	Accepted	Pending
Ralphs	Pending	Pending
Safeway	Accepted	Accepted
7/Eleven	Accepted	Accepted
Super A	Accepted	Accepted
Sav-On/OSCO	Accepted	Pending
Stop 'N Go	Pending	Pending
Thrifty Drug	Pending	Pending
Thrifty Gas/Oil	Accepted	Pending
Vons	Accepted	Pending
Williams Bros.	Accepted	Pending
World Oil	Accepted	Pending

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All Distributors/Wholesalers have accepted both packings of Virginia Slims Ultra Lights and B&H Lights Box (includes Smart & Final, which hasn't accepted a new brand since Marlboro 25's).

PM Brands Y.T.D. Section Volume (August) is down 10.7% compared to the Region which is down 3.7%.

Certified Grocers is up 9.8%, however, when deducting the volume shipped to their new Stockton Warehouse in Section 71, volume gain is only .8%. The loss of E. H. Lawrence Wholesale is still a major factor through 8/86. Subject account purchased over 1/2 billion units from P.M. Several accounts from outside the Section picked up some of this volume, i.e., Glaser in Corona and Bakersfield and McLane.

## II. COMPETITIVE ACTIVITY

### American

White three tier plastic floor display featuring Lucky Strike and Pall Mall, \$45.00 - \$50.00 payment per month. This is now their value saving brands, full price but will always have a \$3.00 off carton coupon attached.

Pall Mall's BlGlF. Displayed in a 20-unit set/sell, payment \$1.00. Little movement reported.

Malibu, this brand will be introduced at retail. It will be featured with a \$3.00 off coupon. Direct accounts are offered \$24.00 off a case and \$3.00 off a case for all product delivered at retail.

Sales rep activities pre-booking Malibu at retail and placing P.O.S. This product available in 100's only (menthol, lights, full flavor), 3 packings, \$3.00 off carton coupon will be attached at the factory. Product is regular priced to wholesale. Coupons reduce at retail to generic price category.

### Brown & Williamson

Capri has achieved very good distribution in both chain and independent accounts, 90%. Capri displays have open packs to encourage consumer trials. Retailers indicate that distributors' reps are giving retailers sample packs for trial, as well as attempting to get retailer to place orders for Capri.

Movement of Capri is slow without the two for one offer.

Capri's two for one floor displays are currently at retail (40 units), \$2.00 payments. Dump bins with 100 units, payment \$5.00.

It appears that the Capri brand has revived the B&W sales force. They are excited about its initial success, and this enthusiasm and uniqueness of their cigarette is filtering down to the trade.

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In Hawaii an outside agency, Donnelly Marketing Company, is conducting mass sampling in downtown area. Negative feedback is that the cigarette burns too fast and it is difficult to hold. Consumers don't feel they are getting their money's worth. Majority of Capri trials are coming from our Virginia Slims, and to a smaller degree Benson & Hedges, smokers.

#### Liggett & Myers

Eve \$2.00 off carton coupon, all packings. No special display being used. Sales are slow.

Scotch Buy in Safeway represents almost .8% of their sales and L&M is paying \$20.00 per month/store for the value rack in the Safeway Stores.

#### Lorillard

Newport is currently promoting \$2.00 off carton coupon, sales very good. This doesn't really impact PM brands.

True in the silver pack, this brand is being displayed with buy two packs get a free lighter and two for one's. The brand is not showing repeat sales. Movement slow.

Hawaii Islands - introducing Newport Lights, pack promotion is 2 packs with free lighter, and carton promotion is \$1.00 off coupon.

#### R. J. Reynolds

Camel filter and lights promotion B3G3 6 pack offer. Product being merchandised in the permanent promotional display, with retailers acceptance and movement excellent.

Century Lights, a subtle package change has taken place. This change is not being announced with any P.O.S. \$2.00 off carton coupon is offered, minimal impact to sales.

Book ordering Winston, Salem, Camel 120 carton displays offering retailers 25¢ off each carton plus placing \$2.00 off coupons on all RJR Major brands. Floor displays are in most high volume outlets. Although this is an attractive offer, it appears to only be rewarding loyal smokers rather than stimulating trial.

Pack Merchandiser. They have come out with a new 6' maxi overhead w/plastic trays. Height is adjustable. They have replaced one of our 6' with this new unit.

#### Military

\$1.00 coupon placed on all Dorals, Winstons, Salem and Camel Filters.

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Generics  
Value Brands

Vons Grocery Company is offering a free lighter with the purchase of a carton of their Slim Price brand.

III. TRADE CLASSES

Wholesalers

The trade class is reacting very favorable to our Virginia Slims Ultra Lights and B&H Lights Box management sell-in.

Core-Mark

Our pre-booking efforts on the Virginia Slims Ultra Lights has been hurt to some degree because of the way this account handled orders on the Cambridge Full Flavor introduction to many smaller retail outlets. We know there will be minimal problems with the delivery of Virginia Slims orders because this brand does not compete with Core-Mark's Best Buy.

Supermarkets

Boys' Markets, (47 stores)

This account bought 8 stores from Foods Company. These new stores are currently being measured for System 2000. This will encompass the entire Boys chain.

Safeway

Self-service presentations has been rescheduled for 9/22/87 at 10:00 a.m. This appointment has been postponed several times because of conflict with-in Safeway's management.

In this trade class and others, the topic of slotting fee's has been a reoccurring theme. Lucky's Harry Parsley indicated these fee's are ranging from \$5,000 to \$50,000. I don't know what they are stocking for \$50,000. Also in Supermarket News, 8/24/87, there is an article on slotting allowances. To date American Brands and Brown & Williamson has paid slotting fees to Sav-On Drug, \$500 per packing.

Convenience/Convenience Gas

National Convenience Stores (Stop 'N Go), 150 stores, has expressed an interest in the custom package rack we have placed in other division of the company. National Accounts has been contacted for more information.

Southland, 7/Eleven, 600 stores

This account has accepted our Marlboro Shopping Baskets for all their stores.

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Drugs

Clark Drugs, System 2000 has been presented. Because of their volume category (2), they feel we are unfair. The competition pays top volume dollars.

Thrifty Drugs, 500 stores. Our AV program was presented approximately six weeks ago. Because of the vacation schedules and other activities, a decision has been long over-due. Bob Bennett, Buyer/Merchandiser, has informed us one more approval is necessary and he feels optimistic we will get the go ahead.

IV. KEY ACCOUNT CONTACTSSouthland 7/Eleven Gene Ramirez

This was my first meeting with Gene. We discussed overall business trends both with the C-Stores as well as the Supermarket trade class. S.A.M. Bern Nilson presented the Virginia Slims Ultra Lights and Benson & Hedges Lights Box both were accepted. The Marlboro Shopping Baskets were presented. Southland 7/Eleven is currently in the process of purchasing similar baskets. So the chances of them accepting our is very good.

Lucky Supermarket Harry Parsley

S.A.M. Bern Nilson and myself made a presentation on behalf of Virginia Slims Ultra Lights and Benson & Hedges Lts Box. Both packings were accepted. Since this was are first meeting with Mr. Parsley, we discussed Lucky's business needs, trends in the industry and a firm resolve on both side to make the cigarette category very profitable for them.

IV a. SAM CONTACT72-41-00 Bern NilsonAlpha Beta

Presented Virginia Slims Ultra Lights and B&H Lights Box. Both new items were accepted. Also space on our contracted AV was increased by 3 rows. Our new Plan A agreement was approved.

Sav-on OSCO

Presentation were made on behalf of our new product introductions. Acceptance of both brands is contingent on whether we want to pay a \$500.00 slotting allowance per item.

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7/Eleven

Presentations were made on behalf of our new product introductions. Both brands were accepted. Virginia Slims Ultra Light 2 for 1 displays were approved.

Mayfair Market

Presentations for Virginia Slims Ultra Lights and B&H Lights Box. Both brands were accepted. Also our Marlboro 120 carton A-1 was accepted for the month of August.

Vons

Virginia Slims Ultra Lights both packings were accepted. Virginia Slims Menthol 100's has been reinstated.

72-42-00 Barbara RomoserARCO

Have not met yet.

Boys Market

- Authorization for shopping baskets as previously noted.
- Authorization for eight additional carton racks in Foods Company stores.
- On going installation of packing fixtures.
- Distribution of all packings of Virginia Slims Ultra Lights and B&H Lights Box
- Future objectives are to expand the cigarette department. PM is still under inventoried as is the entire industry. Also, there is an immediate need to create a value center area, all those brands are scattered throughout the carton rack.

Certified Grocers

- Distribution of all new packings of Virginia Slims Ultra Lights and B&H Lights Box has been authorized.

Hughes/El Rancho

- Have not met yet.

National Convenience

- Authorization for approximately 150 placements of the custom B display.
- This division is more than willing to promote cigarettes through promotions, however, our hands are tied because all decisions are now made through headquarters.

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Ralphs Grocery

- Have not met yet.

Safeway Stores

- Authorized distribution of all new packing of Virginia Slims Ultra Lights and B&H Lights Box.
- Authorized 80 unit "Buy 1 Get 1 " Free display in all stores pending manager's approval.
- AV pending
- Marlboro Shopping Baskets pending
- Operations would like all Value Displays removed from the selling floor, however, Kent Carlston would like to keep one with all companies represented. Upper management appears split on the decision. They are looking at merchandising dollars and we need a payment higher than RJR to gain a competitive edge due to the fact our Cambridge sales are significantly less than Doral sales.

Shell

- Have not met yet.

Thrifty Drug

- Authorization for Virginia Slims Ultra Lights and B&H Lights Box pending - looks imminent.
- AV pending. Only Ellis Axelrod, V.P. Operations, has rejected the rack.

Thrifty Gas & Oil

- Virginia Slims Lights, Regular and Menthol, authorized. B&H Lights pending.
- Interested in 500-600 pump toppers for 193 stations.
- Opportunity for additional outdoor P.O.S.
- Long term goal is to obtain B displays in all stations with self serve carton fixtures in those larger volume outlets.

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## V. MERCHANDISING PROGRAMS

### A. Carton Merchandising Programs

#### Plan A

Plan A contract and POG's resigned with Safeway, Los Angeles, reflecting new RJR racks. Prior average weighted rows for P.M. was 78.5. Upgrade weighted average row is now 88.5. Approximate gain was 1740 rows.

#### Mayfair Markets

RJR will be installing new fixtures on which we will gain an increase in rows from 71 to 100.

#### Plan A-1

N/A

### B. Pack/Counter Displays

- Low Profile M-4 signed with Eddies Liquor - 16 stores.
- Stop 'N Go has authorized our custom made B display to be placed ASAP. Approximately 150 stores.

#### B&H Defense

We had good acceptance from the trade in placement of the 2/1 and lighter displays. It is expected that all of the promotional materials will be placed within the given time frames. D/M's reported 2/1's "blew out" within the first day or two. Sales of lighters and 2 packs were doing well too.

### C. Vending Programs

N/A

### D. PM Fixtures

#### System 2000

With the acquisition of Foods Company (8 stores) by Boys Markets, P.M. racks will be placed in all 8 stores.

#### Overhead Merchandisers

We experienced an increase of 85 units in July (re: RAS) for a total penetration of 10% (all accounts). Approximately 90 units were placed during August.

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## VI. SECTION ACTIVITIES

Aside from the normal activities, our sales force was involved in many special programs during this period.

### Marlboro Summer Sampling Program

Eighteen samplers were hired in 10 Division. All materials and supplies apparently received on time.

### Merit Ultra Lights Beach Program

Selected territories were identified to promote the Ultra Lights. Good response from trade, particularly on behalf of the lighter promotion (something new and unique). Sunglasses and lighters sold out rapidly, wallets were slow.

### B&H Defense

We had good acceptance from the trade in placement of the 2/1 and lighter displays. It is expected that all of the promotional materials will be placed within the given time frames. D/M's reported 2/1's "blew out" within the first day or two. Sales of lighters and 2 packs were doing well too.

### Other events completed in August/schedule in September

- Con Sabor A Mexico (Taste of Mexico)
- Mexican Independence Day Festival
- Mike Brito Baseball League
- Abraham Lincoln Soccer Tournament
- Marlboro Cup Simulcast
- Las Charreadas Marlboro State Championship

All of these events are providing us with new opportunities for visibility and sampling. Unfortunately public attendance at some events was very small, i.e., Las Charreadas drew only a few hundred people. Cost of tickets (\$5.00) and location (upscale club) appeared to be a major deterrent.

## VII. SALES SERVICES

## VIII. SALES DEVELOPMENT

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### IX. MEDIA

August 15 Virginia Slims Tennis Tournament Customer reception. This year we had our reception on Saturday's Semi-finals. Approximately 55 customers and guest attended. We were very pleased with client that came and there were more in Senior Management position. This will help in building rapport with our accounts.

August 20, We had our Annual Customer Golf outing. This was the first year it was sponsored by Patrick Media. 70 customers participated in both golf and dinner. Everyone who attended had an enjoyable day.

### X. ASSOCIATIONS & CONVENTIONS

We participated this year in the International Food and Merchandising Expo, which took place between August 12 & 15. We had 2 booths featuring our various merchandises. Very poor turnout by the trade.

### XI. SSM MISCELLANEOUS COMMENTS

#### Smart Desk

#### Black Box

We're still operating this system without the "Black Box" being hooked up for the "PC tools" mode. In order to use the "presentation" mode, the "Black Box" is reconnected. The above applies to printing on the "Plotter".

#### Section Audit

We have yet to receive correspondence regarding the results of the Section Audit conducted by NYO in May.

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I. MARKETING CONDITIONSCambridge Full Flavor

The introduction of Cambridge Full Flavor has continued with excellent results. By the end of August retail distribution at the independent store level on both packings will be approximately 93.5% with 90% of the stores contacted. We anticipate some difficulty with the last 10% of the independent accounts since these are the accounts which are most reluctant to accept our price value brands.

As of this writing, over 95% of our chain stores have authorized Cambridge Full Flavor; both packings. The highlight of chain acceptance was Lucky's Markets, Phoenix which accepted 11 new PM packings during this period (Cambridge - 7, Virginia Slims Ultra Lights - 2, B&H Lights Box - 2). This is an unprecedented accomplishment due to the persistence of our Area Managers. Lucky's has stated that they now realize they lost a lot of introductory dollars on Cambridge by waiting too long.

Cambridge continues to show increased popularity with consumers so long as it is visible and couponed.

Virginia Slims Ultra Lights

To date all chains and direct accounts presented with Virginia Slims Ultra Lights have accepted the brand. In addition we also received good response on the sequential displays such as the 2 for 1's and 2 pack display, etc. The retail pre-booking forms were moderate in number as retailers were reluctant to purchase 10 cartons of Virginia Slims Ultra Lights before the introduction began. Most stated they would purchase the brand during normal introductory period.

Benson & Hedges Lights Box

Presentations to management accounts on behalf of B&H Lights Box are currently in progress and we look forward to success similar to that of Virginia Slims Ultra Lights.

Inventory levels of all our major brands continue to be good at both wholesale and retail. Pre-booking by our sales force continues to help us gain distribution and with each new brand we are consistently "fine tuning" our capabilities for using this valuable tool.

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MAJOR COMPETITIVE DEVELOPMENTS

ATC has introduced Malibu in all areas of the section. The brand was made available to all direct accounts on August 10 offering \$24.00 off per case. The product was made available to retail accounts starting August 17 and is being promoted with \$3.00 off carton coupons. The brand is available in 100mm full flavor and menthol 100, and light 100's. Distribution at this point is only fair, and sales at the retail level are slow. Sales Reps. report few smokers of our brands have been seen switching to any of these packings.

Distribution and inventory levels of Pall Mall Filters remain generally poor although ATC continues its good showing on billboards for this brands.

Pall Mall Red Filter King and 100mm are now being introduced in New Mexico and Texas. Promotions on these packings include 20¢ off per pack offers, \$2.00 off per carton coupons and 2 for 1 offers. Only fair distribution and sales have been noted in these areas.

ATC is paying for space on non self-service carton fixtures located behind service counters in the lobbies (Furrs Supermarkets, Albuquerque). Payment is \$16.00 per month on the two planograms now being used. In both cases ATC occupies approximately 60% of the third shelf.

As reported last month, ATC's new value center has not been accepted by any major chain and they have not had any significant affect on our value centers or RJR's.

B&W continues to ~~generate a lot of interest in its Capri~~ brand which is being introduced at retail level in California only. They have not been seen in other areas of the section yet. There is a high amount of advertising being done on this brand and their sales force is promoting it with 2 for 1 offers. There appears to be a fairly good amount of consumer trial on Capri. Some retailers are indicating that they are being paid for keeping Capri posters up for one month (amount unknown).

B&W continues to promote Falcons via 10¢ off per pack and \$1.00 off per carton coupons. Sales continue to be generally slow and there appears to be little repeat business.

From Arizona we understand the B&W Division Manager with responsibility for Tucson, who was previously out of San Diego, is now living in Tucson with responsibility for four Sales Reps.

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Recently B&W Sales Reps. have been couponing Kool and Barclay packings with \$2.00 off carton coupons and they have been couponing Belair and Raleigh with \$1.00 coupons. Only minor impact has been seen with respect to additional sales due to these coupons.

L&M manufacturing "Rainbow" which is a branded generic for Fleming. The brand is available in 4 packings; King Regular, and Menthol and 100's Regular and Menthol. They are also offering a 4-wide, 4-shelf value center rack paying \$10 to \$15 per month. The retailer receives a 35mm camera for introducing the brand in his store and accepting the rack. The value center also has provisions for a pack topper. Sales, to date, have been very slow. The value center is on a 3-month trial period with most retailers.

Lorillard is accelerating the \$2.00 off couponing on all Kent brands. A mail-in offer is being made available to the consumer providing them with additional \$8.00 off coupons. No increase in sales has been observed.

RJR appears to be increasing their couponing on all of their major packings with \$2.00 off carton coupons. In some cases retailers report being paid 25¢ per carton for additional inventories ordered in for couponing stock. These retailers reporting definite increase in RJR product movement when this is done.

Sales Reps. are again placing Camel Filter displays featuring 3 packs free with 3 packs purchased. Good consumer response to this offer in Las Vegas where Sales Reps. are continuing to promote Magna along with Doral, both featuring \$1.00 off coupons. Although these two brands are being merchandised on their value center fixtures, repeat purchases are tapering down.

In New Mexico Sales Reps. are now promoting the new Salem packing with 2 for 1 offers. Circle K headquarters there has advised us RJR is now paying \$4.50 for a 40 unit display which was authorized by Circle K.

We understand that RJR is subsidizing \$100.00 for generic ads in Yuma newspapers on behalf of the Cocopah Easy Corner (Indian Reservation) to advertise Doral and other generics. We will be forwarding the ad shortly.

In Phoenix, Arizona the Lucky buyer has informed us about RJR's developing a new and different type of carton rack, specifically for them. We are attempting to get additional details.

As of this writing, only a few of the new RJR adjustable OPM's have been seen on location.

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### III. TRADE CLASSES

#### Wholesalers

Fleming - Forming an IGA type of association for all independent stores in Arizona. Ed Fields, the former manager of grocery buying, will head up this new group.

A.M. Lewis - Division President Dave Roberts has left this organization. Dave was recently hired for this position out of Richmond, VA about six months ago. No replacement has been named as yet.

Flaks-Ponca - Closed their warehouse in Hobbs, NM and their accounts will now be serviced by the Flaks-Ponca branch in Roswell, NM.

#### Supermarkets

Frys - Tom Sheldon, Buyer has insinuated they are negotiating the purchase of some stores in both Yuma and Las Vegas. We are unable to verify which chain to date they are purchasing.

Safeway - It was reported by Safeway, El Paso office personnel that officials from Furr's Supermarkets had met with Safeway executives and buyers to announce their acquisition of the El Paso Division operation (59 stores). They announced that there would be no changes in personnel or operating procedures at the current time. Apparently this meeting took place during the week of 8/16/87 after the FTC approved the sale.

Bayless - Closing all eight franchise stores by the end of August. The collaboration of financially backing these franchisees was draining too much money from the chain due to their low volume.

Smittys - Purchasing two former GEMCO locations and remodeling these stores to open sometime in 1988.

#### Convenience

Owikstop (6 stores) - This account was newly classified and is based out of Cave Creek, AZ. They anticipate six additional new stores within the next two years.

Circle K - Buyer in Albuquerque, NM (220 stores) advised Area Manager D. Torres that he didn't feel the tobacco companies temporary display payments were high enough to justify self-service placement on their counters. He reported that several candy manufacturers will pay \$5.00 for a two week counter placement, and recently RJR paid \$4.50 for a two week display placement. This buyer refused our temporary counter displays offered for introduction of Virginia Slims Ultra Lights.

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Mass Merchandisers

K-Mart - All stores have been instructed by their headquarters to remove all discounted and generic cigarettes except Doral. It is rumored that RJR is developing a brand of generics especially for K-Mart called "Austin".

Liquor

Liquor Barn (13 stores) - The Buyer Steve Willowby is considering going non self-service on all cigarettes due to lack of volume and failure to qualify for merchandising payments.

Vending

Apparently negotiations for Status Vending's (900 machines) purchase of Sun Country Dist. is continuing, as reported by both accounts.

IV. SSM KEY ACCOUNT CONTACTSCircle K Western RegionDave Crispin/Marla Braswell

With S.A.M. D. Wilson, sold in Virginia Slims Ultra Lights to three Circle K divisions and arranged for 10 carton plus out to each store. Introduced C. Wenzler as new S.A.M. calling on them.

7-Eleven South Pacific DivisionJean Lee

With S.A.M. D. Wilson, called on Jean to review ongoing programs.

IV.a. S.A.M. KEY ACCOUNT CONTACTSCircle K Western RegionCircle K South Pacific Division/Western Region

Introduction to accounts. Presented Virginia Slims Ultra Lights. Account accepted both packings. Each store in the region is to receive a 10 carton plus out on each packing, along with participating in two BIGIF promotions.

Circle K Tucson

Introduction to account. Presented Virginia Slims Ultra Lights. Both packings accepted. Each store to receive a five carton plus out on each packing and participate in two promotional displays.

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Circle K Corp.

Review of July N/C reports with Rita Montefour of Circle K. Her follow-up with regards to N/C has consistently improved overall Circle K compliance (currently 99% on M-5).

McLane Sunwest

Introduction to account. Discussed brand presentation procedures as related to Circle K. —Toured warehouse. Obtained code numbers for Cambridge Full Flavor and Virginia Slims Ultra Lights.

Bayless Markets - Initial meeting along with M. Wells. Virginia Slims Ultra Lights follow-up. Need to improve planograms, continue with System 2000 presentations. Two currently on test.

Core Mark - Virginia Slims Ultra Lights accepted.

Fry's - Introduced to account with M. Wells. Virginia Slims Ultra Lights and Benson and Hedges Lights Box accepted. No displays.

Lucky Markets - Initial meeting with M. Wells, 11 packings accepted. Seven Cambridge, two Virginia Slims Ultra Lights, and two Benson & Hedges Lights Box. Will present System 2000 soon.

Owik Korner Deli-Grocery - Need to see soon for new brand presentations. Continue to pursue the AG Value Center.

Short Stop - Introduced with M. Wells. Virginia Slims Ultra Lights, both packings were accepted. To follow-up with AG rack presentation.

Smittys Markets - First appointment on Sept. 9.

Southland Distribution Center - Virginia Slims Ultra Lights were accepted. B&H Lights Box to be presented next.

Stater Bros. - Follow-up on new racks, signing Plan A. New brand presentations on Sept. 8.

7-Eleven - Virginia Slims Ultra Lights accepted. Follow-up on BV's, overhead merchandisers, and continue to add more M-4's in prime positions.

7-Eleven Western Region - Want to set up an industry review very soon.

Fleming - First appointment is pending on Sept. 9.

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## V. MERCHANDISING PROGRAMS

### A. Carton Merchandising Programs

Plan AV - Safeway stores have been converted to the new vertical stacking schematic with no major problems. The new contract is helping Philip Morris to maintain as well as increase the number of AV units in outlets throughout Arizona.

Marlboro A-1 Sports Bag - Receiving excellent response from retailers. Some areas for consideration are to include a 60-carton unit for more flexible utilization in some accounts. One area noted with positive results is the paying of cash in non-contracted accounts, which has helped us to increase usage.

Stater Bros. new rack conversions with the RJR racks are currently being placed. At last contact, only 18 stores were initially being set. P.M. rows have been agreed upon as going from 81 rows to 95 rows. 14 row gain in 95 stores = 1330 row gain. The planogram and new contract still need to be signed.

The new Plan A needs to be signed in all of S.A.M. Wilson's supermarket chains. She is currently working on new planograms for Bayless Markets as well as for her other newly acquired accounts.

Circle K - 48 stores are now participating in Plan A. National Accounts anticipates that at the conclusion of program implementation, approximately 300 stores will qualify for Plan A payments on the "L" shaped carton fixture.

Due to the availability of System 2000 fixtures for independent accounts the re-signing of local Plan A's has been held off until acceptance or refusal of our fixtures.

System 2000 Fixtures have now been placed in approximately nine independent accounts with another four accounts agreeing to placement of our fixtures.

### B. Pack/Counter Displays

Piggy Bank Gas Stations (27 stores) agreed to test BV displays and Cambridge in seven of their stores. Previously this account has not carried any price value brands.

Furrs in Albuquerque (8 stores) authorized 2 BG displays per store.

To date, we have placed our spinners and signed Plan R's in six of the eight Furr's stores in Albuquerque, NM.

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Banding of Cambridge 2 for 1 product is currently being conducted. All allocated quantities of banding materials will be utilized.

C. Vending Programs

Area Manager L. King is currently in the process of converting Canteen Corp., San Diego (400 machines) to DataVend from Tru-Check.

D. P.M. Fixtures

As per SSS R. Vaillancourt and SAM D. Wilson, Bayless has approved Philip Morris' exclusive signage on pack racks along with low profile spinners in all new and remodeled stores. Production on these custom signs has been ordered.

Smitty's also has approved the same signage on package racks and spinners.

One eight foot maxi overhead was placed in a 7-Eleven store during August. The overhead rack total for this division is now 18. Mr. Jeff Bequeaith, Buyer has told me he dislikes overhead racks, yet the franchisees want them. The lotto machines and movie-quik machines have squeezed out the cigarette pack space. Overheads would be a natural. Mr. Bequeaith wants a monthly merchandising payment. S.A.M. D. Wilson has sent this information via Mike Phiel in National Accounts. It is Mr. Bequeaith's understanding his Dallas office and our NYO are working on this.

Circle K - Sales Reps. in Phoenix are currently surveying all Circle K stores in Phoenix Metro (approximately 375) in order to determine current overhead size and supplier. All of these stores will receive Philip Morris overheads, with placements beginning in approximately 6-8 weeks.

We have been advised by National Accounts that a piece of paid permanent p.o.s (Marlboro Clock with a 5 sq. ft. advertising panel) will be placed in all Circle K stores. No start-up dates available. Payment was reported @ \$50/store/month.

VI. SECTION ACTIVITIES

The Marlboro Sampling Program was run smoothly with no major problems encountered.

Most all Division Managers have selected personnel for the Virginia Slims Sampling Program. In most cases Marlboro Samplers will be carried over.

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The Marlboro Summer Resort Program has been completed with four store sales and four bar nights being conducted. This program ran smoothly, as expected. Average cartons sold per store sale was 125.

The B&H Inner-City Program was completed as scheduled. This program was helpful in increasing our visibility in the inner-city areas and all available materials were utilized.

The Virginia Slims of San Diego Tennis Tournament was held during August. Sales Representatives assisted in sampling activities and distributed Virginia Slim T-Shirts on T-Shirt night. Division Manager Dave Aposporos assisted in the presentation of the winner's prize.

## VII. SALES SERVICES

### M-5 Header Cards

Shortages in larger quantities are occurring. This appears to be a result of the retail account summary simply not being capable of reflecting the number of M-5 display on which shipments are placed. Since Arizona has 602 Circle K stores, this has a less than positive effect on properly placing advertising. S.A.M. Wenzler will be working this out with National Accounts Manager, Bill Garry.

While we are most happy to receive new Sales Representatives vans, their delivery without shelving or trays creates obvious problems, however our people are working around them.

## VIII. SALES DEVELOPMENT

Nothing new to report this month.

## IX. MEDIA DEVELOPMENTS

As noted last month, Actmedia ads continue to be highly visible in supermarkets, both in aisles and on shopping carts. We are looking forward to Actmedia's sampling program in the coming months.

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IX. ASSOCIATIONS/CONVENTIONS/MEETINGS

July 27-31, attended SAM Knowledge Seminar in Aspen, Colorado with D. Wilson and C. Wenzler.

Aug. 3, attended San Diego North Division PPP meeting to introduce new DM N. Birch.

Aug. 4, held a meeting with SAM's and Area Managers to exchange files.

Aug. 11, attended Section Manager meeting in Los Angeles Region Office.

Aug. 19, held Section Management meeting to review Section Objectives and other miscellaneous subjects.

Aug. 21, attended Region Space Trek meeting in Los Angeles.

I took five days annual vacation from August 24-28.

XI. SSM MISCELLANEOUS COMMENTS

No comments.

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